

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**

**TOWN OF WINCHESTER,
CONNECTICUT**



**Office of the
Director of Finance**

TOWN OF WINCHESTER, CONNECTICUT

Comprehensive Annual Financial Report

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**

Department of Finance
Henry L. Centrella, Jr.
Director of Finance

TOWN OF WINCHESTER, CONNECTICUT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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**TOWN OF WINCHESTER - CITY OF WINSTED
Town Hall - 338 Main Street
WINSTED, CONNECTICUT 06098**

December 16, 2004

To the Board of Selectmen and Citizens of the Town of Winchester:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, we are pleased to issue the comprehensive annual financial report (CAFR) of the Town of Winchester for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the Town of Winchester. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Winchester has established an internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Town of Winchester's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Winchester's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Winchester's financial statements have been audited by Blum, Shapiro & Company, P.C. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Winchester for the fiscal year ended June 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Winchester's financial statements for the fiscal year ended June 30, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that the management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Winchester's MD&A can be found immediately following the report of the independent auditors.

State and federal "single audits" were also performed as required by state and federal law, respectively. The purpose of these audits is to determine whether the Town of Winchester complied with the laws and regulations and applicable compliance requirements of the major state and federal assistance programs, and whether the Town maintained controls to assure compliance.

Profile of the Government

The Town of Winchester, located in Litchfield County, is a political subdivision situated about 29 miles northwest of Hartford in the watersheds of the Farmington and Naugatuck Rivers. It is bordered on the north by the Town of Colebrook, on the south by the City of Torrington, on the east by the Town of Barkhamsted, and on the west by the Towns of Norfolk and Goshen. It covers a land area of approximately 33.8 square miles. The City of Winsted is located within the Town of Winchester but has no separate government. Winchester was first settled and incorporated as a Town in 1732. The Town sits at the crossroads of U.S. Route No. 44 and State Route No. 8. State Routes No. 20 and 183 also traverse the Town. There are 81.3 miles of Town roads, of which 72.5 miles are paved, and 23.4 miles of State roads.

The Town of Winchester is governed under a home-rule charter last revised in 2001 that provides a Manager/Selectmen/Town Meeting form of government with a seven member Board of Selectmen that also serves as the Board of Finance. Elections are held biennially in November in every odd-numbered year. The residents also have the powers and privileges conferred and granted to Towns and Cities under the Constitution and the General Statutes of the State of Connecticut.

The Town Manager is the full-time Chief Executive and Administrative Officer of the Town and oversees the execution of all laws and ordinances governing the Town. The First Selectman presides over the Board of Selectmen and has full voting privileges on the Board. The Board of Selectmen appoints members to various commissions and boards.

The Town's annual budget meeting is held on the first Monday in May. Prior to adjournment to budget referendum, the electors at the annual town budget meeting review the budget as presented by the Board of Selectmen and have the power to amend, but not increase, any line item of the budget. The annual budget meeting is then adjourned to a referendum for approval.

The Town provides a full range of services, including general government operations; police and fire protection; the construction and maintenance of highways, streets and

other infrastructure; health and welfare services; cultural and recreational activities and education. The Town has seventeen recreational areas including a newly constructed skate park.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Winchester operates.

Economic Condition and Outlook. The Town of Winchester is primarily a residential community with single-family homes. Most residents are in the manufacturing, education, health and social services categories. Recent data from United States Department of Commerce indicates that Winchester's per capita income as of 2000 is \$22,589 as compared to the State of Connecticut's \$28,766. The Town's population decreased 7.5% over the past decade.

A recently completed revaluation led to a 27% increase in assessed property values. This growth was largely due to appreciation of residential properties located in the Town's Highland Lake area. The tax base is primarily zoned residential (84%) with an important industrial and commercial presence (16%).

Unfortunately, the Town of Winchester's bond rating was reduced in January 2004 from A1 to A2. The primary reason for this downgrade was due to decline in the Town's fund balance. This decline was due to two major factors: the exposure it had in fiscal 2003 to state aid reductions, and a decision by the Town at its annual budget meeting to use \$725,000 of its fund balance to provide tax levy relief.

Major Initiatives

Economic Development

There are a few remaining parcels of land in the Town's second industrial park. Looking toward the future, the Commission plans to locate and acquire real estate with the State of Connecticut's Department of Community and Economic Development's financial assistance for a new or expanded industrial park. In addition, the Commission is assessing the feasibility of updating and marketing certain properties along the downtown Main Street area. These development target areas may include developable land adjacent or contiguous to the current industrial park around or near Route 8 north as well as property along (old) Route 8 south towards the City of Torrington.

The Commission has recognized that it needs to aggressively market certain of the Town's most favorable attributes. To accomplish the goals of the Commission, all developmental grants and similar incentives will be aggressively pursued. This would include but not be limited to new property development, facilities improvement grants, and recreational funding.

Comprehensive Economic Development Strategy (CEDS)

During the spring of 2003, the Town, in partnership with the Litchfield Hills Council of Elected Officials, contracted with a consultant firm to prepare a regional Comprehensive Economic Development Strategy (CEDS). The plan, completed in June 2004, identifies economic development projects which have positive impacts on the regional and local economy. The CEDS document will afford the Town access to Federal Economic Development Administration grant and loan funds which are currently not available.

Regional Outreach

In unison with the CEDS project, the Town is also a Board member on the recently formed Northwest CT Economic Development Corporation. The Corporation is a public/private development arm for the projects to be identified in the CEDS document.

Brownfields

During 1998, a new economic revitalization project was undertaken called the Brownfields Project. To date, the United States Environmental Protection Agency has awarded the Town \$350,000 in grant money to study and redevelop several potentially contaminated manufacturing sites located in the downtown and Highland Lake areas. The primary goal of the program is to assist Winchester in overcoming environmental barriers to the redevelopment of Brownfield sites and attract new development to the area. The program funds have been used for Phase I through Phase III environmental testing of Brownfield properties, increasing community involvement and environmental awareness, and identifying cleanup strategies.

In the spring of 2001, the Town received a \$650,000 grant to establish a Brownfields Clean-Up Revolving Loan Fund ("BCRLF") to assist developers in Brownfield redevelopment efforts. The BCRLF program became operational in November of 2001.

Main Street Enhancement Project

The Town of Winchester submitted a proposal in the summer of 1998 to improve pedestrian safety as well as to enhance the quality of its Main Street and to strengthen the pedestrian/bicycle connection between Winsted and the neighboring City of Torrington. The major goal of this project will be to improve the safety of the four-lane Main Street in addition to enhancing and promoting the economic viability of the downtown commercial core of the Town. The total estimated cost of this project is \$4,839,000. Phase I of the project will be closed-out upon final inspection in the spring of 2005.

In the spring of 2003, the Town submitted a TEA-21 grant request in the amount of \$4.5 million to complete the rest of our Main Street Enhancement Project. "Phase II" will continue the streetscape enhancements east and west of where the current (phase I) project limits end.

National Main Street

In May of 2001, the Town, in partnership with "Friends of Main Street", was designated by the Connecticut Main Street Program a "CT Main Street" Town. This designation gives the Town four years of free consulting services for downtown revitalization efforts.

This designation is a key component to the success of the Town's revitalization efforts. The 501(c)(3) non-profit group, "Friends of Main Street", hired a full-time Executive Director during the spring of 2003 to oversee the organization's Action Plan.

Still River Greenway

The Still River Greenway is a proposed five mile long, ten-foot wide paved recreational trail running from the intersection of Willow and Rowley Streets in the Town of Winchester south along Torrington Road for 2.5 miles to Harris Road in the City of Torrington. The trail will be handicap accessible and will be designed for walking, jogging, bicycling, in-line skating, and cross-country skiing. Funding for this \$1,875,000 project will be provided by a Federal TEA-21 grant in the amount of \$1.5 million dollars. The grant will cover 80% of the project costs. The remaining 20% will come from the Town of Winchester, the City of Torrington, and the Still River Greenway Committee. Final design plans are currently being reviewed by the State of Connecticut Department of Transportation. The construction phase will begin in April of 2005.

Budgetary Controls. The Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the electors at referendum. Budget administration is performed by the Department of Finance. The budget is legally enacted at the department expenditure level, which serves as a management tool; budgetary control is maintained at the department level within character of expenditure. This is achieved through the use of full encumbrance system, which encumbers appropriations upon the issuance of purchase orders. Encumbrances outstanding at year-end are recorded as budgetary expenditures and reported as a reservation of the fund balance at June 30. Transfers within a department may be made during the fiscal year upon approval by the Board of Selectmen. Transfers between departments can only be made during the last three months of the fiscal year, once again, with approval by the Board of Selectmen. Management cannot amend the budget.

Cash Management Policies and Practices. In April 1990, the Town formally adopted an investment policy. This was done in conjunction with the close scrutiny of New England banks by federal regulators. This policy seeks to maintain the safety and liquidity of the investments and provide for the optimum yield on the investments. The policy provides for specific financial information to be obtained from the financial institution holding Town assets to ensure that their financial position falls within the legal requirements of State statutes that govern a municipality's deposits in financial institutions.

Risk Management. The Town of Winchester is a member of the Connecticut Interlocal Risk Management Agency (CIRMA). CIRMA is a nonprofit, tax-exempt association of Connecticut municipalities and local public agencies. It was formed in 1980 by the Connecticut Conference of Municipalities (CCM) to establish and administer an interlocal risk management program pursuant to the Connecticut General Statutes.

The Town of Winchester has its workers' compensation insurance and portions of its liability-automobile-property insurance with CIRMA. Other portions of its liability-

automobile-property insurance are with various insurance companies. The Town's insurance agent is the Litchfield Insurance Group. The Town has a safety committee which meets monthly to review and implement any recommendations by the insurance carriers.

Fiduciary Fund Operation. Fiduciary Funds are used to account for funds that the Town holds in a trustee capacity or as an agent for individuals or organizations. The Town of Winchester Town Employees Pension Trust Fund is used to account for contributions, pension benefits and other costs which are associated with the operations of the pension plan.

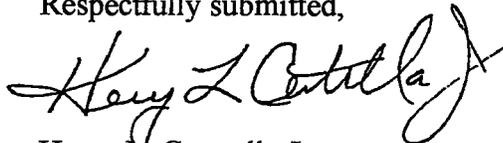
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the sixteenth year the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized Comprehensive Annual Financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would have not been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance. The preparation of the Comprehensive Annual Financial Report requires a major effort, and I would like to express my appreciation to those who assisted and contributed to the preparation of this report. I would also like to thank the Board of Selectmen and the Town Manager for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,



Henry L. Centrella Jr.
Director of Finance

BlumShapiro

Report of Independent Accountants

To the Members of the Town Council
Town of Winchester, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Winchester, Connecticut, as of and for the year ended June 30, 2004, which collectively comprise the Town of Winchester, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Winchester, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Winchester, Connecticut, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 16 and the schedule of funding progress - Pension Trust Fund on page 54 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Winchester, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2004 on our consideration of the Town of Winchester, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Blum, Shapiro & Company, P.C.

November 24, 2004

TOWN OF WINCHESTER, CONNECTICUT
Management's Discussion and Analysis
Introduction

This Annual Financial Report meets the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of the Town of Winchester, focus on our most important, or "major" funds, including the general fund.

Fund statements measure and report the "operating results" of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures governments use when financing current operations. On the other hand, if we charge a fee to users for services, fund information will continue to be based on accrual accounting. Showing budgetary compliance has always been an important part of governmental accountability. Our financial statements include the *original* budget as well as the final amended budget.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable you to assess whether the Town's financial position has improved or deteriorated as a result of the year's operations. The annual report includes government-wide financial statements prepared on the accrual basis for all of your government's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the government-wide financial statements will help you:

- Assess the finances of the Town in its entirety, including the year's operating results;
- Determine whether our overall financial position improved or deteriorated;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See the costs of providing you the services you have requested of us;
- See how we finance the programs you have asked for - through user fees and other program revenues versus general tax revenues;
- Understand the extent to which your government has invested in capital assets, including roads, bridges, sewers, water systems, schools, parks and other infrastructure assets;
- Make better comparisons between governments.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

✱ **Management's Discussion and Analysis (MD&A)**

An introduction to the basic financial statements and an analytical overview of the government's financial activities. The MD&A provides an objective and easily readable

analysis of the Town's financial activities based on currently known facts, decisions or conditions. The MD&A:

- Includes comparisons of the current year to the prior year based on government-wide information;
- Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or deteriorated as a result of the year's activities;
- Analyzes significant changes in fund and major budget variances;
- Describes capital asset and long-term debt activity during the year;
- Concludes with a description of currently known facts, decisions or conditions that are expected to have a significant effect on our financial position or the results of our operations.

✱ **Basic Financial Statements**

Government-Wide Financial Statements are designed to provide readers with a broad overview of the Town of Winchester's finances, in a manner similar to private-sector business.

- They include a *statement of net assets* which presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the government. Both of the government-wide financial statements distinguish functions of Winchester that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include the Board of Education, programs and project expenses, public works, public safety, general government, welfare, health, parks and recreation, library, waste disposal and recycling, and interest on long-term debt. Our business-type activities include the Water and Sewer Commission. The government-wide financial statements include only the Town of Winchester itself (known as the *primary government*). There is no legally separate unit of government or governmental function (*component unit*) for which the Town is financially accountable. The Water and Sewer Commission, although legally separate, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government;
- Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements;

Capital assets, including infrastructure, are reported along with depreciation expense in the statement of activities. Net assets are reported as capital assets net of related debt, restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net assets are shown as either expendable or nonexpendable;

Expenses are presented reduced by program revenues, resulting in a measurement of “net revenue (expense)” for each of the government’s functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net assets for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

- ***Fund Financial Statements*** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.
 - ***Governmental fund*** financial statements include financial data for the general fund, special revenue funds, capital projects, debt service and permanent funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. ***Governmental funds*** are used to account for essentially the same functions reported as ***governmental activities*** in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on ***near-term inflows and outflows of spendable resources***, as well as on ***balances of spendable resources*** available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for ***governmental activities*** in the government-wide financial statements with similar information presented for ***governmental activities*** in the long-term impact of the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between ***governmental funds*** and ***governmental activities***. The Town maintains eighteen individual governmental funds. Three of these funds are considered major funds, and fifteen are treated as nonmajor funds consisting of ten special revenue funds and five permanent funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the small cities fund and the sewer assessment fund, all of which are considered to be major funds. Data from the fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of ***combining statements*** elsewhere in this report. The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- *Proprietary fund* financial statements, including financial data for enterprise and internal service funds, are prepared using the economic resources measurement focus and the accrual basis of accounting. The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for the operations of its Water and Sewer Commission. *Internal service funds* are an accounting device used to calculate and allocate costs internally among the Town's various functions. We do not use internal service funds. Because water and sewer services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Commission.
- *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fund financial statements are presented for primary government and proprietary funds. Governmental fund statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances. Proprietary fund statements are comprised of a statement of net assets, a statement of revenues, expenses and changes in net fund assets, and a statement of cash flows. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

Separate columns are shown for the general fund and for other major governmental and enterprise funds. Major funds are funds whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds. Other funds that we believe are particularly important to you are also reported as a major fund. Nonmajor funds are reported in the aggregate in a separate column as are internal service funds on the proprietary fund statements.

Governmental fund balances are segregated into reserved and unreserved categories.

Proprietary fund net assets are reported in the same categories required for government-wide financial statements. Proprietary fund statements of net assets distinguish between current and noncurrent assets and liabilities and display restricted assets.

The statements distinguish between operating and nonoperating revenues and expenses in proprietary fund statements of revenues, expenses and changes in net fund assets. At the bottom of these statements, we reflect capital contributions, contributions to permanent and term endowments, special and extraordinary items, and transfers in arriving at the all-inclusive change in fund net assets.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used our own programs. We must show a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Fiduciary fund statements also disclose interfund loans, interfund services provided and used, and interfund transfers.

- Notes to the Financial Statements
 - Consist of notes that provide information essential to your understanding of the data provided in the government-wide and fund financial statements.
- Required Supplementary Information (RSI)
 - Consists of MD&A and budgetary comparison schedules;
 - Includes budgetary comparison schedules for the general fund and each major special revenue fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget;
 - Reports the Town's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

As management of the Town of Winchester, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-viii of this report.

Financial Highlights

- The assets of the Town for both governmental and business-type activities exceeded liabilities at the close of the most recent year by \$57,141,320 (*net assets*). Of this amount, \$5,381,917 (*unrestricted net assets*) may be used to meet our ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by \$332,793.
- As of the close of the current fiscal year, the Town's governmental funds reported combining ending fund balances of \$2,038,728, an increase of \$45,513 in comparison with the prior year. Over 75% of this amount, \$1,540,087, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$623,576, or 2.34% of total general fund expenditures.
- The Town's long-term liabilities decreased \$335,366 for governmental activities and \$648,157 for business-type (water and sewer) activities. Included in this category is the repayment of bonded debt for governmental activities by \$375,000 and a reduction of debt for water and sewer due to a current refunding of \$690,545 (see below and Note 3.F., Long-Term Debt of Notes to Financial Statements).

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of our financial position. In the case of the Town, assets exceeded liabilities by \$57,141,320 at the close of the most recent fiscal year.

By far the largest portion of our net assets (90.58%) reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. We use these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1. Net Assets

	2004			2003		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and Other Assets.....	\$10,742,932	\$ 1,706,453	\$12,449,385	\$10,677,305	\$ 1,894,482	\$ 12,571,787
Capital Assets (net).....	28,329,515	37,146,405	65,475,920	27,651,355	38,048,575	65,699,930
Total Assets	<u>39,072,447</u>	<u>38,852,858</u>	<u>77,925,305</u>	<u>38,328,660</u>	<u>39,943,057</u>	<u>78,271,717</u>
Long-Term Debt Outstanding..	4,593,566	11,341,934	15,935,500	4,928,932	11,990,091	16,919,023
Other Liabilities.....	4,596,997	251,488	4,848,485	4,115,623	428,544	4,544,167
Total Liabilities	<u>9,190,563</u>	<u>11,593,422</u>	<u>20,783,985</u>	<u>9,044,555</u>	<u>12,418,635</u>	<u>21,463,190</u>
Net Assets:						
Invested in Capital						
Assets, net of debt.....	25,863,702	25,895,701	51,759,403	25,729,473	25,970,626	51,700,099
Unrestricted	<u>4,018,182</u>	<u>1,363,735</u>	<u>5,381,917</u>	<u>3,554,632</u>	<u>1,553,796</u>	<u>5,108,428</u>
Total Net Assets	<u>\$29,881,884</u>	<u>\$27,259,436</u>	<u>\$57,141,320</u>	<u>\$29,284,105</u>	<u>\$27,524,422</u>	<u>\$56,808,527</u>

The balance of *unrestricted net assets* not comprising capital assets, \$5,381,917 may be used to meet our ongoing obligations to citizens and creditors.

At the end of the current fiscal year, we are able to report positive balances in two of the three categories of net assets, both for government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Town's governmental net assets increased by \$597,779 during the current fiscal year. We brought in general revenues and charges of \$18,884,767 which exceeded net operating expenditures of \$18,286,988 by \$597,779. Gross governmental expenditures of \$27,725,357 were offset by a combined \$18,884,767 in property taxes (\$16,914,799), grants (\$814,095), investments earnings (\$65,183), and miscellaneous income (\$1,324,515). In addition, we charged \$391,083 for services, realized \$8,407,231 in operating grants and contributions, and received \$640,055 in capital grants and contributions. Of the total gross expenditures, \$18,848,278 was accounted for by the Board of Education. General Government outlays of \$2,326,165, Public Safety expenditures of \$2,986,420, and Public Works operations in the amount of \$1,686,993 accounted for the largest of the expenditures in the governmental activities category.

The Town reports a decrease in net assets in connection with the business-type activities of the Water and Sewer Commission in the net amount of \$506,583. The water operation decreased net assets by \$82,084 and the sewer operation decreased net assets by \$424,499 as a result of expenditures exceeding revenues. The water and sewer proprietary funds combined generated \$2,913,704 in service charges, fines and penalties. Operating grants and other revenues of \$165,839 and transfers of \$233,825 reduced the total net asset decrease to \$264,986.

The combination of the government activities increase in net assets of \$597,779, when offset by the enterprise funds' decrease in net assets of \$264,986, provide the overall government-wide net asset increase of \$332,793.

Governmental Activities

Governmental activities increased the Town's net assets by \$332,793 as already stated. Key elements of this increase are as follows:

Table 2. Changes in Net Assets

	2004			2003		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 391,083	\$2,913,704	\$ 3,304,787	\$ 939,600	\$3,003,968	\$3,943,568
Operating grants and contributions.....	8,407,231	158,067	8,565,298	8,507,762	1,614,127	10,121,889
Capital grants and contributions.....	640,055	--	640,055	1,069,819	--	1,069,819
General Revenues:						
Property taxes.....	16,914,799	--	16,914,799	15,847,789	--	15,847,789
Grants and contributions not restricted to specific programs.....	814,095	--	814,095	1,202,028	--	1,202,028
Loss on disposal of assets.....	--	--	--	(681,971)	--	(681,971)
Unrestricted investment earnings	65,183	7,772	72,955	77,553	15,212	92,765
Other general revenues.....	1,324,515	--	1,324,515	463,967	--	463,967
Total Revenues.....	<u>28,556,961</u>	<u>3,079,543</u>	<u>31,636,504</u>	<u>27,426,547</u>	<u>4,633,307</u>	<u>32,059,854</u>
Program Expenses:						
Board of Education.....	18,848,278	--	18,848,278	18,541,355	--	18,541,355
Program and project expenses.....	166,940	--	166,940	328,219	--	328,219
Public works.....	1,686,993	--	1,686,993	2,523,879	--	2,523,879
Public safety.....	2,986,420	--	2,986,420	2,837,243	--	2,837,243
Miscellaneous.....	324,488	--	324,488	683,622	--	683,622
General government.....	2,326,165	--	2,326,165	3,379,559	--	3,379,559
Health and welfare	221,386	--	221,386	278,346	--	278,346
Parks and recreation	283,647	--	283,647	248,166	--	248,166
Library.....	185,836	--	185,836	193,976	--	193,976
Waste disposal and recycling	450,476	--	450,476	542,091	--	542,091
Interest on long-term debt	244,728	--	244,728	288,536	--	288,536
Water.....	--	1,853,696	1,853,696	--	2,049,799	2,049,799
Sewer.....	--	1,724,658	1,724,658	--	1,789,526	1,789,526
Total Program Expenses.....	<u>27,725,357</u>	<u>3,578,354</u>	<u>31,303,711</u>	<u>29,844,992</u>	<u>3,839,325</u>	<u>33,684,317</u>
Excess (Deficiency) Before Transfers..	831,604	(498,811)	332,793	(2,418,445)	793,982	(1,624,463)
Transfers.....	(233,825)	233,825	--	(212,780)	212,780	--
Increase (Decrease) in Net Assets	<u>\$ 597,779</u>	<u>(\$ 264,986)</u>	<u>\$ 332,793</u>	<u>(\$2,631,225)</u>	<u>\$1,006,762</u>	<u>(\$1,624,463)</u>

Governmental Activities

Revenues

- Property tax collections increased by \$1.067 million (6.73%) during the year. The budgeted tax levy increase between FY 2003 and FY 2004 was \$1.091 million.
- Charges for governmental activities services declined \$549 thousand due to a reclassification of some charges to the miscellaneous category. Miscellaneous revenues realized a jump to \$1.325 million from \$464 thousand in FY 2003.
- Capital grants for governmental activities decreased by \$430 thousand as grants for water infrastructure dried up at the conclusion of the project.

Expenditures

- General government dropped \$1.077 million as a result of capital expenditures below the capitalization threshold of \$5,000 and an overall reduction in capital outlays.
- Public Works was \$862 thousand under FY 2003's \$2.524 million on account of capital expenditures below the capitalization threshold of \$5,000.
- Miscellaneous expenditures fell \$363 thousand because in the prior year, we wrote off uncollectible accounts receivable, a process we did not undertake this year.
- Waste disposal and recycling, a function of Regional Refuse Disposal District No. 1, returned a \$92 thousand drop in expenditures by reducing our assessment for service by that amount.
- The Board of Education produced a \$307 thousand increase in spending.

Chart 1 presents the costs of each of our five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

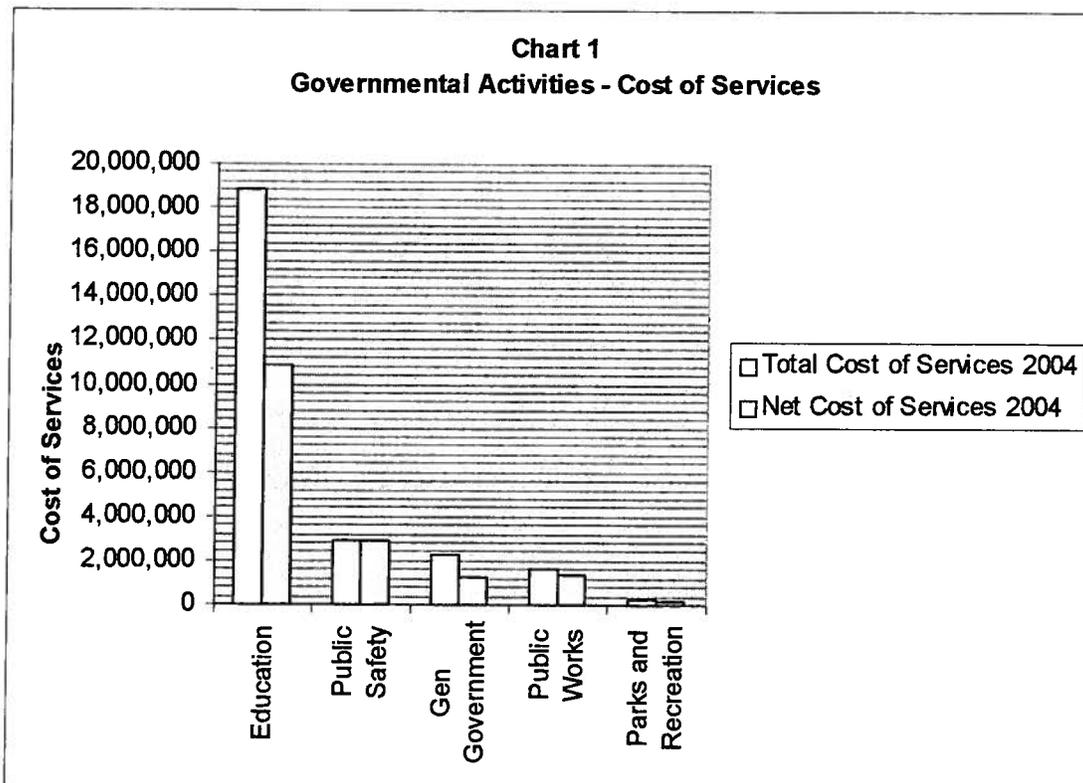
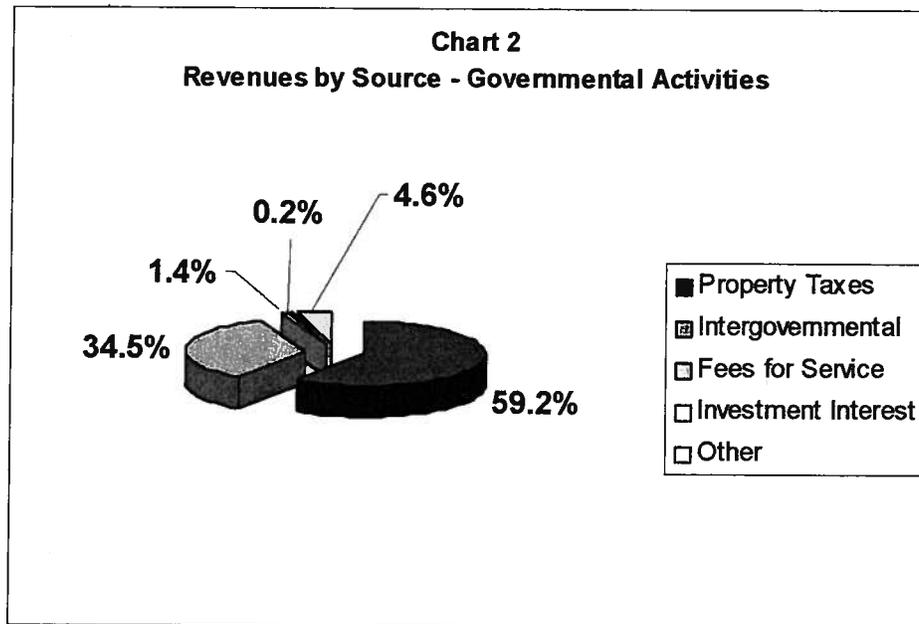


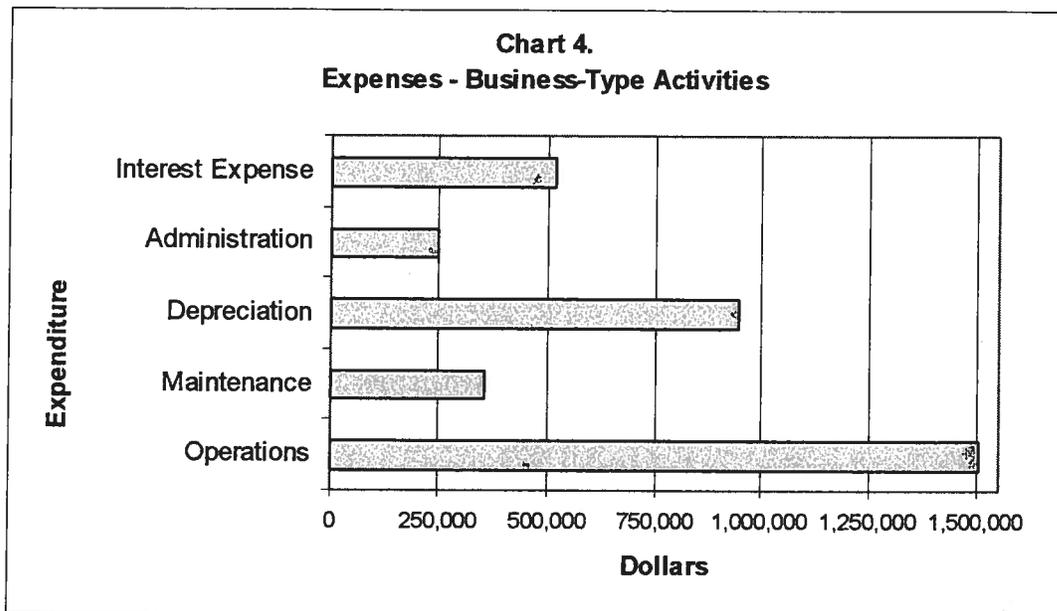
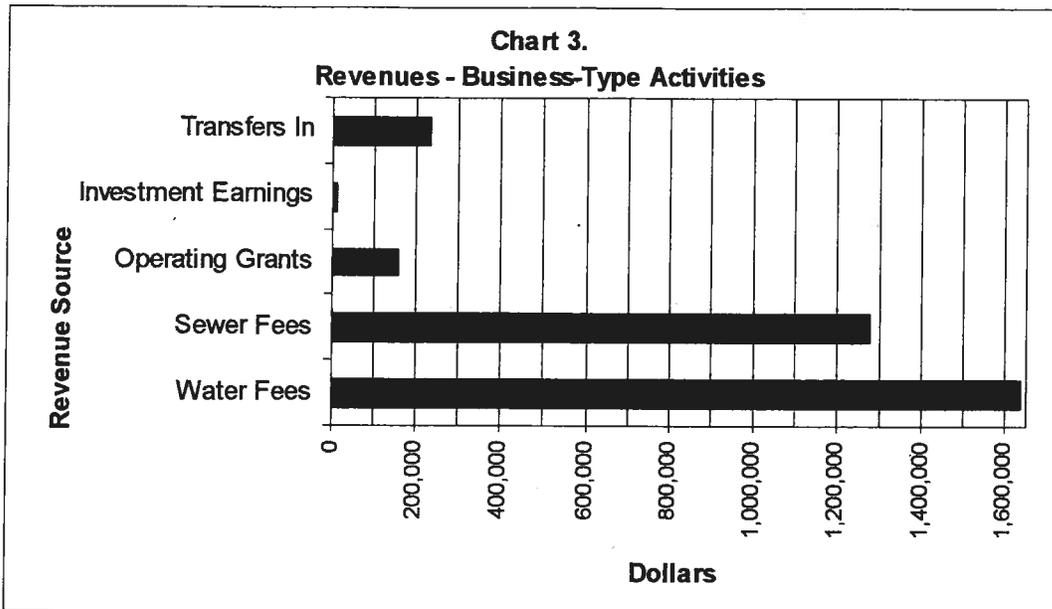
Chart 2 presents the various sources of revenue that fund our operations. The percentages indicate what part of the whole each segment represents.



Business-Type Activities

Business-type activities reduced our net assets by a net \$264,986, offsetting the \$713,814 net asset decrease in general government activities discussed earlier. Key elements of this enterprise fund decrease are as follows:

- Charges for services, fines and penalties, and other revenue sources for water services fell \$79 thousand over last year as a result of decreased past due water assessments and fee collections;
- Sewer charges dropped \$11 thousand due to decreased past due sewer assessments and fee collections;
- Operating grants and contributions fell by \$1.456 million when we completed most of the three water pipe replacement projects in the prior fiscal year that were funded with Federal and State grants.
- Total program expenses decreased \$261 thousand as a result of decreased maintenance expenses;
- Because revenues fell short of meeting expenses by \$507 thousand, our water and sewer operations contributed a net decline to our net assets of \$265 thousand after accounting for a transfer in of \$234 thousand to help meet debt service.



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of our net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,038,728, an increase of \$45,513 in comparison with the prior year. More than three-quarters of the total fund balance, \$1,540,087, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the

fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period in the amount of \$79,770, and 2) to fund certain permanent funds such as the Winchester School Trust (\$63,843), the Winchester Sinking Fund (\$82,357), the Forest View Cemetery (\$138,040), the Winchester Center Cemetery (\$38,311), and other lesser nonmajor governmental funds (\$96,320) for a total of \$418,871. In addition, within the reserved fund balance category is a *reserved designated* line which sets aside part of the general fund balance for next year's operating budget in the amount of \$569,487. More detail may be found in the combining statements for the nonmajor governmental funds.

General Fund

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$623,576, while total fund balance reached \$703,346. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2.34% of total general fund expenditures of \$26,706,200, while total fund balance represents 2.63% of that same amount.

On a budgetary basis, the Town's general fund balance increased by \$17,361 during the current fiscal year. Key factors affecting this decline are as follows:

- A \$1,511,448 unfavorable variance from budget in intergovernmental revenues and a \$148,534 negative property tax variance from budget was offset by a favorable variance other local revenues of \$386,335;
- In response to the state and federal grant cuts, we pared back our spending and realized a favorable budget variance in expenditures of \$1,290,250 by saving \$968,254 in capital expenditures and, with the support of the Board of Education, spent \$288,994 less than budgeted for education.

Small Cities Fund

The Small Cities Fund is considered a major fund by the Town, and it is used to track homeowner loans to and repayments by Winchester residents. Its fund balance of \$300,821 is entirely cash on deposit. During the year, this fund took in \$172,754 in loan repayments, many driven by refinancings in the historically low interest rate environment, and expended \$28,140 in program and project expenditures. The excess of revenues over expenditures of \$144,614 translated directly to a fund balance increase of the same amount.

Sewer Assessment Fund

Also considered a major fund, the sewer assessment fund accepts and tracks assessments paid for sewer usage, hook-ups and maintenance. Its primary function is to provide funding for debt service payments on the sewer commission's outstanding sewer bonds. For FY 2004, \$298,984 was taken in as other local revenues and \$105,288 was disbursed in interest payments. An additional \$233,825 was transferred out to further assist with debt service. The net change in fund balance was a drop of \$40,129, taking fund balance from \$138,713 to \$98,584.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Commission at the end of the year amounted to \$1,363,735, a decline of \$190,061 from the previous year. Both waterworks and sewer operations posted losses at year-end; waterworks, \$81,014 and sewer, \$417,797. A transfer in of

\$233,825 for debt service from the sewer assessment fund helped reduce the net decline. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original budget and the final budget were unchanged with total expenditures planned for \$27,306,779 supported by revenues of \$27,300,579 and a draw down of fund balance to cover the difference in the amount of \$200 after transfers in of \$6,000. The changes in appropriations may be briefly summarized as follows:

Revenues

The revenue side of the budget remained unchanged at \$27,300,579.

Expenditures

Five line items were increased and one decreased resulting in the reallocation of \$41,720 within the budget with an additional general fund balance draw down of \$200.

- \$9,000 increase to the Town Clerk;
- \$5,500 increase to the Town Manager;
- \$2,220 increase to the Building Department;
- \$5,000 increase to the Civil Service Commission;
- \$20,200 increase in Miscellaneous;
- \$41,720 decrease in Recycling.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and proprietary fund assets includes land, buildings and systems improvements, machinery and equipment, park facilities, roads, highways, sewer systems, water systems and bridges. The total increase in our investment in capital assets for the current fiscal year was \$1,087,481 before depreciation or 2.48%.

Major government-wide capital asset events during the current fiscal year included the following:

- \$324,086 of new vehicles and equipment were acquired;
- \$466,126 was spent to improve our roads, sewer system, and water lines;
- \$229,128 went to improve our Town buildings.

Table 3. Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Land	\$25,536,000	\$25,536,000	\$ 85,476	\$ 85,476	\$25,621,476	\$25,621,476
Buildings and Improvements	1,469,107	1,033,647	31,062,205	31,837,277	32,531,312	32,870,924
Equipment	1,324,408	1,081,708	532,108	529,969	1,856,516	1,611,677
Infrastructure	--	--	364,198	374,274	364,198	374,274
Construction in Progress ..	--	--	5,102,418	5,034,277	5,102,418	5,034,277
Totals	\$28,329,515	\$27,651,355	\$37,146,405	\$37,861,273	\$65,475,920	\$65,512,628

Additional information on the Town's capital assets can be found in note 3.C. on pages 41-42 of this report.

Long-term debt. At the end of the current fiscal year, the Town had \$12,890,000 of long-term bonded debt outstanding and no short-term debt. All outstanding bonded and long-term obligations comprise general obligation debt backed by the full faith and credit of the government. Water and sewer debt is first paid from assessments, levies, and fines, and other Water and Sewer Commission resources which have been sufficient to fully pay principal of and interest on outstanding water and sewer obligations.

Table 4. Long-Term and Short-Term Debt

<u>Bonds</u>					
<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding</u>	<u>Fiscal Year Maturity</u>
11/15/88	School	6.977	\$ 7,430,000	\$ 1,805,000	2009
4/15/90	General Purpose (Water) ¹	6.50-8.50	2,800,000	840,000	2010
11/1/98	General Purpose (Water) ¹	3.50-5.50	1,500,000	1,000,000	2014
8/15/02	Sewer ¹	3.00-5.00	6,290,000	5,345,000	2022
1/15/04	General Purpose (Water) ¹	2.00-3.85	3,900,000	3,900,000	2019
Total			<u>\$21,920,000</u>	<u>\$12,890,000</u>	

¹ Self-supporting

The Town's total debt decreased by \$1,285,585 (8.43%) during the current fiscal year. The decrease came about through the payment of scheduled principal amortization on our outstanding bonds and loans and from a refunding of our USDA water loans. During the current fiscal year, the Town refinanced its existing water debt to take advantage of favorable interest rates. The Town issued \$3,900,000 general obligation refunding bonds to refinance the full outstanding \$3,845,775 principal balance of outstanding USDA water loans. The refunding transaction provided net present value savings in excess of 7% and is expected to reduce future debt service payments by \$307,207.

The Town's credit rating from Moody's Investors Service, Inc., on its general obligation debt for the fiscal year ended June 30, 2004 was lowered from "A1" to "A2". The primary reasons for the downgrade were a diminished fund balance and uncertain grant revenues from the State of Connecticut from which a substantial portion of the Town's revenues derived.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its tax collections plus interest and lien fees. For June 30, 2004, the maximum amount of borrowing permitted under the formula is \$123,193,056. By statute, water debt of \$5,740,000 and future school grant reimbursements for principal of \$1,179,111 are excluded from the debt limit calculation. With net borrowings of \$5,970,889, our outstanding general obligation debt is \$117,222,167 below the maximum debt limitation (see "Schedule of Debt Limitation" on page 77 of this report).

Additional information on our long-term debt can be found in note 3.F. on pages 45-47 of this document.

Economic Factors and Next Year's Budget and Rates

The Town, as of this writing, does not have a budget for FY 2005.

Requests for Information

This financial report is designed to provide a general overview of the Town of Winchester's finances for all those with an interest in our finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 338 Main Street, Winsted, CT 06098.

BASIC FINANCIAL STATEMENTS

TOWN OF WINCHESTER, CONNECTICUT
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Board of Education	\$ 18,848,278	\$	8,002,108	\$	(10,846,170)	\$	(10,84
Program and project expenses	166,940				(166,940)		(16
Public works	1,686,993		118,277	195,993	(1,372,723)		(1,37
Public safety	2,986,420		6,458	27,835	(2,952,127)		(2,95
Miscellaneous	324,488				(324,488)		(32
General government	2,326,165	391,083	280,388	339,027	(1,315,667)		(1,31
Welfare	44,427				(44,427)		(4
Health	176,959				(176,959)		(17
Parks and recreation	283,647			77,200	(206,447)		(20
Library	185,836				(185,836)		(18
Waste disposal and recycling	450,476				(450,476)		(45
Interest on long-term debt	244,728				(244,728)		(24
Total governmental activities	27,725,357	391,083	8,407,231	640,055	(18,286,988)	-	(18,28
Business-type activities:							
Waterworks	1,853,696	1,636,045	135,567			(82,084)	(8
Sewer	1,724,658	1,277,659	22,500			(424,499)	(42
Total business-type activities	3,578,354	2,913,704	158,067	-	(506,583)	(506,583)	(50
Total	\$ 31,303,711	\$ 3,304,787	\$ 8,565,298	\$ 640,055	(18,286,988)	(506,583)	(18,79
General revenues:							
Property taxes				16,914,799			16,91
Grants and contributions not restricted to specific programs				814,095			81
Unrestricted investment earnings				65,183	7,772		7
Miscellaneous				1,324,515			1,32
Transfers				(233,825)		233,825	
Total general revenues and transfers				18,884,767		241,597	19,12
Change in net assets				597,779	(264,986)		33
Net Assets at Beginning of Year				29,284,105	27,524,422		56,80
Net Assets at End of Year				\$ 29,881,884	\$ 27,259,436	\$ 57,14	

The accompanying notes are an integral part of the financial statements

Stmnt of Net Assets

JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 3,131,884	\$ 897,091	\$ 4,028,975
Receivables, net of allowance:			
Property taxes	2,432,278		2,432,278
Other	2,774,712	496,422	3,271,134
Due from other governments	1,235,757	15,389	1,251,146
Internal balances	584,013	(584,013)	-
Other assets	584,288	881,564	1,465,852
Capital assets, nondepreciable	25,536,000	5,187,894	30,723,894
Capital assets, net of accumulated depreciation	<u>2,793,515</u>	<u>31,958,511</u>	<u>34,752,026</u>
Total assets	<u>39,072,447</u>	<u>38,852,858</u>	<u>77,925,305</u>
Liabilities:			
Accounts payable and accrued items	1,995,557	251,488	2,247,045
Due to other governments	195,074		195,074
Interest payable	5,247		5,247
Unearned revenue	2,401,119		2,401,119
Noncurrent liabilities:			
Due within one year	917,108	930,000	1,847,108
Due in more than one year	3,676,458	10,411,934	14,088,392
Total liabilities	<u>9,190,563</u>	<u>11,593,422</u>	<u>20,783,985</u>
Net Assets:			
Invested in capital assets, net of related debt	25,863,702	25,895,701	51,759,403
Unrestricted	<u>4,018,182</u>	<u>1,363,735</u>	<u>5,381,917</u>
Total Net Assets	<u>\$ 29,881,884</u>	<u>\$ 27,259,436</u>	<u>\$ 57,141,320</u>

*Reconc. of the Balance Sheet - Govt Fund
to the Statement of Net Assets*

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

Amounts reported for governmental activities in the statement of net assets (page 17) are different because of the following:

Fund balances - total governmental funds (page 19) \$ 2,038,728

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 35,276,370	
Less accumulated depreciation	<u>(6,946,855)</u>	
		28,329,515

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Property taxes receivable greater than 60 days		761,716
Sewer assessments receivable		1,925,168
Interest receivable on property taxes		246,460
Receivable from the State for school construction projects		1,179,110

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable		(1,805,000)
Pension obligation		(133,382)
Capital leases payable		(672,949)
Claims and judgments payable		(966,966)
Interest payable on bonds		(5,247)
Compensated absences		<u>(1,015,269)</u>

Net Assets of Governmental Activities (page 17) \$ 29,881,884

Balance Sheet - Govt Funds

JUNE 30, 2004

	<u>General</u>	<u>Small Cities</u>	<u>Sewer Assessment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,671,863	\$ 300,821	\$	\$ 1,159,200	\$ 3,131,884
Property taxes receivable, net	957,573		1,939,306		2,896,879
Due from other governments	19,867			36,779	56,646
Other receivables	178,812	1,884,839			2,063,651
Due from other funds	587,857		84,445	38,007	710,309
Other assets	569,487			14,801	584,288
Total Assets	<u>\$ 3,985,459</u>	<u>\$ 2,185,660</u>	<u>\$ 2,023,751</u>	<u>\$ 1,248,787</u>	<u>\$ 9,443,657</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued items	\$ 1,966,575	\$	\$	\$ 28,982	\$ 1,995,557
Due to other funds	38,007			88,289	126,296
Due to other governments				195,074	195,074
Deferred revenue	1,277,531	1,884,839	1,925,167	465	5,088,002
Total liabilities	<u>3,282,113</u>	<u>1,884,839</u>	<u>1,925,167</u>	<u>312,810</u>	<u>7,404,929</u>
Fund balances:					
Reserved:					
Encumbrances	79,770				79,770
Purpose of trust				418,871	418,871
Unreserved:					
Designated for subsequent year's operating budget	569,487				569,487
General fund	54,089				54,089
Special revenue funds		300,821	98,584	461,682	861,087
Permanent fund				55,424	55,424
Total fund balance	<u>703,346</u>	<u>300,821</u>	<u>98,584</u>	<u>935,977</u>	<u>2,038,728</u>
Total Liabilities and Fund Balance	<u>\$ 3,985,459</u>	<u>\$ 2,185,660</u>	<u>\$ 2,023,751</u>	<u>\$ 1,248,787</u>	<u>\$ 9,443,657</u>

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Stmt of Rev, Exp + Changes in

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Small Cities</u>	<u>Sewer Assessment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes, interest and lien fees	\$ 17,132,182	\$	\$	\$	\$ 17,132,182
Intergovernmental revenues	8,211,001			1,895,348	10,106,349
Other local revenues	<u>1,035,693</u>	<u>172,754</u>	<u>298,984</u>	<u>273,350</u>	<u>1,780,781</u>
Total revenues	<u>26,378,876</u>	<u>172,754</u>	<u>298,984</u>	<u>2,168,698</u>	<u>29,019,312</u>
Expenditures:					
Current:					
Board of Education	17,091,385			1,483,896	18,575,281
Program and project expenses	138,800	28,140			166,940
Public safety	2,773,315				2,773,315
Public works	1,608,201				1,608,201
Miscellaneous	296,146				296,146
General government	2,163,635			245,344	2,408,979
Welfare	43,030				43,030
Health	176,959				176,959
Parks and recreation	194,856				194,856
Library	185,836				185,836
Waste disposal and recycling	450,476				450,476
Debt service:					
Principal retirement	375,000				375,000
Interest	140,530		105,288		245,818
Capital outlay	<u>972,458</u>			<u>488,675</u>	<u>1,461,133</u>
Total expenditures	<u>26,610,627</u>	<u>28,140</u>	<u>105,288</u>	<u>2,217,915</u>	<u>28,961,970</u>
Excess (Deficiency) of Revenues over Expenditures	(231,751)	144,614	193,696	(49,217)	57,342
Other Financing Sources (Uses):					
Proceeds from capital leases	221,996				221,996
Operating transfers in from other funds	2,033			95,573	97,606
Operating transfers out to other funds	<u>(95,573)</u>		<u>(233,825)</u>	<u>(2,033)</u>	<u>(331,431)</u>
Net Change in Fund Balances	(103,295)	144,614	(40,129)	44,323	45,513
Fund Balances at Beginning of Year	<u>806,641</u>	<u>156,207</u>	<u>138,713</u>	<u>891,654</u>	<u>1,993,215</u>
Fund Balances at End of Year	<u>\$ 703,346</u>	<u>\$ 300,821</u>	<u>\$ 98,584</u>	<u>\$ 935,977</u>	<u>\$ 2,038,728</u>

*Reconciling Items of Real Expense
+ Capital FO - Govt Funds
to the Statement of Activities*

TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

Amounts reported for governmental activities in the statement of activities (page 18) are different because of the following:

Net change in fund balances - total governmental funds (page 21) \$ 45,513

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	853,999
Less current year depreciation	(175,839)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes collected after 60 days	(9,318)
Sewer assessment revenue	(172,046)
Interest income on property taxes	(36,018)
Intergovernmental revenue on school bonds	(244,968)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Principal payments	375,000
Capital lease proceeds	(19,802)
Accrued interest	1,090

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension obligation	(133,382)
Claims and judgements	12,135
Change in long-term compensated absences	<u>101,415</u>

Change in Net Assets of Governmental Activities (page 18) \$ 597,779

JUNE 30, 2004

	Waterworks	Sewer	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 57,635	\$ 839,456	\$ 897,091
Rents receivable, net	283,521	212,901	496,422
Prepaid items	9,136	6,253	15,389
Due from other funds		252,556	252,556
Accrued utility revenue	364,841	228,264	593,105
Total current assets	715,133	1,539,430	2,254,563
Noncurrent Assets:			
Nondepreciable	5,159,974	27,920	5,187,894
Capital assets, net of accumulated depreciation	12,470,708	19,487,803	31,958,511
Unamortized bond costs, net	111,015	177,444	288,459
Total noncurrent assets	17,741,697	19,693,167	37,434,864
Total assets	18,456,830	21,232,597	39,689,427
Liabilities:			
Current liabilities:			
Accounts payable and accrued items	133,685	117,803	251,488
Due to other funds	252,556	584,013	836,569
Current portion of bonds and loans payable	475,000	455,000	930,000
Total current liabilities	861,241	1,156,816	2,018,057
Noncurrent liabilities:			
Compensated absences	47,058	44,172	91,230
Bonds payable after one year	5,321,660	4,999,044	10,320,704
Total noncurrent liabilities	5,368,718	5,043,216	10,411,934
Total liabilities	6,229,959	6,200,032	12,429,991
Net Assets:			
Invested in capital assets, net of related debt	11,834,022	14,061,679	25,895,701
Unrestricted	392,849	970,886	1,363,735
Total Net Assets	\$ 12,226,871	\$ 15,032,565	\$ 27,259,436

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BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes, interest and lien fees	\$ 17,280,716	\$ 17,280,716	\$ 17,132,182	\$ (148,534)
Intergovernmental revenues	9,370,561	9,370,561	7,859,113	(1,511,448)
Other local revenues	649,302	649,302	1,035,637	386,335
Total revenues	<u>27,300,579</u>	<u>27,300,579</u>	<u>26,026,932</u>	<u>(1,273,647)</u>
Expenditures:				
Current:				
Board of Education	16,935,397	16,935,397	16,646,403	288,994
Program and project expenses	149,673	149,673	138,800	10,873
Public safety	2,684,368	2,684,368	2,764,857	(80,489)
Public works	1,801,548	1,801,548	1,607,507	194,041
Miscellaneous	267,948	288,148	295,546	(7,398)
General government	2,008,313	2,030,033	2,171,579	(141,546)
Welfare	44,225	44,225	43,239	986
Health	193,903	193,903	176,959	16,944
Parks and recreation	193,672	193,672	194,085	(413)
Library	185,836	185,836	185,836	-
Waste disposal and recycling	532,200	490,480	450,476	40,004
Debt service	515,530	515,530	515,530	-
Capital outlay	1,693,524	1,693,524	725,270	968,254
Total expenditures	<u>27,206,137</u>	<u>27,206,337</u>	<u>25,916,087</u>	<u>1,290,250</u>
Excess of Revenues over Expenditures	94,442	94,242	110,845	16,603
Other Financing Sources (Uses):				
Operating transfers in	6,000	6,000	2,089	(3,911)
Operating transfers out	(100,442)	(100,442)	(95,573)	4,869
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (200)</u>	17,361	<u>\$ 17,561</u>
Fund Balance at Beginning of Year			<u>606,214</u>	
Fund Balance at End of Year			<u>\$ 623,575</u>	

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TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Unrestricted Net Assets - This component consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

Reserved Fund Balance - A portion of fund balance that is not available for appropriation or is legally restricted by outside parties for use for a specific purpose.

Designated Fund Balance - Represents tentative management plans that are subject to change.

Unreserved Fund Balance - Serves as a measure of current available financial resources.

K. Property Taxes

The Town's property tax is levied each July 1 on the assessed value as of the prior October 1 for all real property, motor vehicles and commercial personal property located in the Town. Assessed values are established by the Town Assessment Board at 70% of estimated market value. A revaluation of all real property is required to be completed no less than every ten years. The Town revalued its property as of October 1, 1994. The Town's property tax is levied each June on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town. A mill rate was applied to the Grand List. Liens are placed on delinquent accounts in June following the levy date.

Taxes are due in two equal installments on the July 1 and January 1 following the levy date, although a 30-day grace period is provided. Uncollected property taxes are recorded as receivables, net of an allowance for estimated uncollectible accounts. The revenue relating to property taxes not collected during the fiscal year and within 60 days after the close of the fiscal year is deferred.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Town defines the current period to mean within 30 days after year-end. Property taxes receivable not expected to be collected during the available period are reflected in deferred revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent years' assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

L. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets for the General Fund, Dog Fund and Town Aid Roads Fund are authorized annually by the Board of Selectmen. Annual budgets are not adopted for Special Revenue Funds other than the Town Aid Roads Fund and the Dog Fund and, accordingly, are not included in the government-wide financial statements.

Program budgets are established for funds not budgeted annually. The procedures for establishing the budgetary data reflected in the financial statements are as follows:

- 1) Prior to March 15, the Town Manager submits to the Board of Selectmen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted at locations throughout the Town to obtain taxpayer comments.
- 3) The budget is legally enacted at the annual Town budget meeting by vote of the general public.
- 4) Upon the request of the Town Manager, but only within the last three months of the fiscal year, only the Board of Selectmen may, by resolution, transfer any unencumbered appropriation, balance or portion thereof from one department, commission, board or office to another. Management cannot amend the budget.
- 5) The control level on which expenditures may not legally exceed appropriations is the departmental level. Management can transfer amounts within a department. Unencumbered appropriations lapse at the close of the fiscal year, except for those appropriations which are made for capital improvements.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The budgets are prepared on a modified accrual basis of accounting except for encumbrances. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year. Payroll is accounted for on a cash basis.

Encumbrance accounting is employed in the Governmental Funds. Open encumbrances are reported as reservations of fund balances since the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities.

Budgeted amounts are as originally adopted, or as amended by the Board of Selectmen. The last amendment was on June 21, 2004.

The accompanying combined statement of revenues, expenditures and changes in fund balances - budget and actual - general fund - non-GAAP budgetary basis presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the accounting for encumbrances for purposes of developing data on a budgetary basis differs from that used to present financial statements in conformity with GAAP, a reconciliation of the resultant differences in excess of revenues and other sources over expenditures and other uses for the year ended June 30, 2004 is presented below:

	General Fund
Excess of revenues and other sources over expenditures and other uses for budgeted funds - budgetary basis	\$ 17,361
Timing difference:	
Change in reserve for encumbrances	<u>(120,656)</u>
Net Change in Fund Balance - GAAP Basis	<u>\$ (103,295)</u>

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2004, expenditures exceeded appropriations in the General Fund at the following departmental levels:

Town Clerk	\$ 986
Insurance	55,546
Town Counsel	1,941
Tax Collector	1,051
Senior Citizens	245
Vacation and sick pay accrual	110,032
Conservation Commission	17,161
Unemployment Compensation	6,767
Miscellaneous	7,398
Police Department	37,616
Fire Department	7,907
Ambulance	43,523
Park and Recreation Department	413

These overexpenditures were funded by greater than anticipated revenues and available fund balance.

C. Deficit Fund Equity

The Dog Fund and Brownfields Pilot Program had deficit fund balances of \$31,478 and \$7,757. These amounts will be funded through contributions and future revenues.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut.

The following is a summary of cash and cash equivalents at June 30, 2004:

Deposits	\$ <u>4,078,231</u> *
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*Includes demand and money market accounts.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Deposits

At June 30, 2004, the carrying amount of the Town of Winchester's deposits was \$4,078,231, and the bank balance was \$3,102,555. Of the bank balance, \$206,265 was covered by federal depository insurance. The remaining balance of \$2,896,290 falls under Risk Category 3. Risk Category 3 is defined as uninsured. As required by P.A. 91-245, the depositories with which the Town has its deposits have set aside collateral of \$309,521 in securities; however, these are not held in the Town's name. It is unclear whether the collateral required for public deposits by P.A. 91-245 would stand if challenged by the FDIC since there is no perfected security agreement between the depository and the depositor. A perfected agreement is required by federal law.

Investments

Temporary investments are stated at cost which approximates fair value, corporate and government obligations are carried at amortized cost which approximates fair value, and investments in mutual funds are carried at fair value. Pension Trust Fund investments are carried at fair value. Investments maturing within one year of acquisition are stated at amortized cost.

The Connecticut General Statutes authorize the Town to invest in obligations of the United States Treasury and its agencies and instrumentalities, certificates of deposit, commercial paper, savings accounts, bank acceptances and repurchase agreements. The Town's Pension Board of Directors determines in which instruments the Plan's trustee can invest.

GASB Statement No. 3 defines three categories of investments to give an indication of the level of risk assumed by the entity. Category 1 includes investments which are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty, or by its safekeeping department or agent, but not in the Town's name.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Town's investments held are as follows:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	1	2	3		
Pension Trust Fund:					
U.S. Government securities	\$	\$	\$ 1,237,293	\$ 1,237,293	\$ 1,237,293
Corporate and foreign obligations			286,248	286,248	286,248
* Pooled trust funds - Fleet Bank				3,628,807	3,628,807
				\$ 5,152,348	\$ 5,152,348

* Pooled trust funds are not categorized as they are not evidenced by securities that exist in physical or book entry form.

B. Receivables

Receivables of taxes at year end for the General Fund were \$957,573, including the applicable allowance for uncollectible accounts of \$39,000.

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund:		
Delinquent property taxes receivable	\$ 761,716	\$
Prepaid taxes		448,013
Donations and grants		67,802
Small Cities:		
Grant		1,884,839
Sewer Assessment:		
Delinquent assessment taxes receivable	1,925,167	
Other Governmental Funds - State and Federal		
Education Grants:		
Various education grants		465
Total Deferred/Unearned Revenue for Governmental Funds	\$ 2,686,883	\$ 2,401,119

C. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,536,000	\$ _____	\$ _____	\$ 25,536,000
Capital assets being depreciated:				
Buildings	3,478,740	134,900		3,613,640
Improvements	653,283	466,126		1,119,409
Machinery and equipment	4,754,348	252,973		5,007,321
Total capital assets being depreciated	<u>8,886,371</u>	<u>853,999</u>	<u>-</u>	<u>9,740,370</u>
Less accumulated depreciation for:				
Buildings	2,583,367	136,370		2,719,737
Improvements	515,009	29,196		544,205
Machinery and equipment	3,672,640	10,273		3,682,913
Total accumulated depreciation	<u>6,771,016</u>	<u>175,839</u>	<u>-</u>	<u>6,946,855</u>
Total capital assets being depreciated, net	<u>2,115,355</u>	<u>678,160</u>	<u>-</u>	<u>2,793,515</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,651,355</u>	<u>\$ 678,160</u>	<u>\$ -</u>	<u>\$ 28,329,515</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,476	\$ _____	\$ _____	\$ 85,476
Construction in progress	5,034,277	68,141		5,102,418
Total capital assets not being depreciated	<u>5,119,753</u>	<u>68,141</u>	<u>-</u>	<u>5,187,894</u>
Capital assets being depreciated:				
Buildings and improvements	42,277,956	94,230		42,372,186
Machinery and equipment	765,319	71,113		836,432
Infrastructure	487,871			487,871
Total capital assets being depreciated	<u>43,531,146</u>	<u>165,343</u>	<u>-</u>	<u>43,696,489</u>
Less accumulated depreciation for:				
Buildings and improvements	10,440,679	869,302		11,309,981
Machinery and equipment	235,350	68,974		304,324
Infrastructure	113,597	10,076		123,673
Total accumulated depreciation	<u>10,789,626</u>	<u>948,352</u>	<u>-</u>	<u>11,737,978</u>
Total capital assets being depreciated, net	<u>32,741,520</u>	<u>(783,009)</u>	<u>-</u>	<u>31,958,511</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:		
General government	\$	21,566
Public safety		31,870
Public works		10,307
Education		86,006
Miscellaneous		21,209
Parks and recreation		<u>4,881</u>
Total Depreciation Expense - Governmental Activities	\$	<u>175,839</u>
Business-type activities:		
Water		383,888
Sewer		<u>564,464</u>
Total Depreciation Expense - Business-Type Activities	\$	<u>948,352</u>

Construction Commitments

The Town has active construction projects as of June 30, 2004. The projects include water and drainage projects, and enhancement of Main Street. At year-end, the Town's commitments with contractors are as follows:

Project	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Water Pipe Replacement - Project 1	\$ 978,335	\$ 11,853
Water Pipe Replacement - Project 2	2,008,558	45,082
Water Pipe Replacement - Project 3	817,425	65,133
Drainage Project	155,359	8,177
Drainage Project	128,155	6,745
Main Street Enhancement	<u>885,666</u>	<u>17,106</u>
Total	\$ <u>4,973,498</u>	\$ <u>154,096</u>

The commitments are being financed with general obligation bonds and State and Federal grants.

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2004, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 499,568
	Nonmajor Governmental Funds	88,289
		<u>587,857</u>
Sewer Assessment Fund	Sewer Fund	<u>84,445</u>
Nonmajor Governmental Funds	General Fund	<u>38,007</u>
Sewer Fund	Waterworks Fund	<u>252,556</u>
Total		<u>\$ 962,865</u>

Interfund transfers that occurred during the year are as follows:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Fund</u>	
Transfers out:				
General Fund	\$	\$ 95,573	\$	\$ 95,573
Sewer Assessment Fund			233,825	233,825
Other Governmental Funds	<u>2,033</u>			<u>2,033</u>
Total Transfers Out	<u>\$ 2,033</u>	<u>\$ 95,573</u>	<u>\$ 233,825</u>	<u>\$ 331,431</u>

E. Leases

Capital Leases

The Town has entered into lease agreements as lessee for financing the acquisition of police and public works vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$ 901,006
Less accumulated depreciation	<u>60,600</u>
Total	<u>\$ 840,406</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004, were as follows:

	<u>Governmental Activities</u>
Year ending June 30:	
2005	\$ 242,448
2006	170,935
2007	170,536
2008	101,072
2009	<u>43,319</u>
Total minimum lease payments	728,310
Less amount representing interest	<u>55,361</u>
Present Value of Minimum Lease Payments	<u>\$ 672,949</u>

F. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 2,180,000	\$	\$ 375,000	\$ 1,805,000	\$ 375,000
Capital leases	653,147	221,996	202,194	672,949	219,329
Compensated absences	1,116,684	81,405	182,820	1,015,269	230,480
Claims and judgments	979,101		12,135	966,966	92,299
Pension obligation	<u>116,035</u>	<u>17,347</u>		<u>133,382</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,044,967</u>	<u>\$ 320,748</u>	<u>\$ 772,149</u>	<u>\$ 4,593,566</u>	<u>\$ 917,108</u>
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 11,775,545	\$ 3,900,000	\$ 4,590,545	\$ 11,085,000	\$ 930,000
Plus deferred amounts:					
Issuance premiums on refunding	<u>115,102</u>	<u>56,660</u>	<u>6,058</u>	<u>165,704</u>	
Total bonds payable	11,890,647	3,956,660	4,596,603	11,250,704	930,000
Compensated absences	<u>99,444</u>		<u>8,214</u>	<u>91,230</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 11,990,091</u>	<u>\$ 3,956,660</u>	<u>\$ 4,604,817</u>	<u>\$ 11,341,934</u>	<u>\$ 930,000</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have also been issued for business-type activities. During the year, general obligation bonds totaling \$3,900,000 were issued.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town. School building grants of \$1,179,110 will be used to repay respective debt; however, the Town is liable for all outstanding bonds. General obligation bonds currently outstanding are as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal</u>	<u>Principal Outstanding June 30, 2004</u>
<u>General Purposes:</u>						
Public improvements:						
School renovations	11/15/8	\$ 7,430,000	6.977%	11/15/2008	\$ 375,000 - 330,000	\$ <u>1,805,000</u>
<u>Water and Sewer:</u>						
General refunding	8/15/02	6,290,000	3%-5%	8/15/2022	490,000 - 150,000	\$ 5,345,000
Water revenue	4/15/90	2,800,000	6.5-8.5%	4/16/2010	140,000	840,000
General refunding	1/15/04	3,900,000	2%-3.85%	8/1/2018	290,000- 235,000	3,900,000
Water mains	11/1/98	1,500,000	3.5-5.5%	11/1/2013	100,000	<u>1,000,000</u>
						\$ <u>11,085,000</u>

All bonds are general obligation bonds secured by the general revenue raising powers of the Town, and payment will be provided by General Fund revenues, except for Proprietary Fund type bonds, which are expected to be paid from the receipts of the related fund, and Highland Lake Sewer Fund bonds, which are expected to be paid by revenues of the Sewer Assessment Fund.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 375,000	\$ 114,280	\$ 930,000	\$ 415,720
2006	375,000	88,030	970,000	378,402
2007	375,000	61,593	950,000	346,281
2008	350,000	35,855	955,000	306,156
2009	330,000	11,715	935,000	272,106
2010-2014			3,825,000	869,363
2015-2019			2,060,000	334,038
2020-2024			460,000	42,688
Total	<u>\$ 1,805,000</u>	<u>\$ 311,473</u>	<u>\$ 11,085,000</u>	<u>\$ 2,964,754</u>

General Obligation Bonds - Current Refunding

On August 15, 2004, the Town issued \$3,900,000 of general obligation refunding bonds with interest rates ranging from 2% to 4% to currently refund the outstanding principal amounts of a \$4,132,300 General Obligation Bond, Issue of 1998, dated June 26, 1998, and a \$995,400 General Obligation Bond, Issue of 1998, dated August 3, 1998.

The net proceeds of \$3,964,720 (including a premium of \$60,707 and payment of \$34,150 in underwriter's fees and other issuance costs) will reduce total debt service payments over the next 15 years by approximately \$307,207 and represents an economic gain (difference between present values of the debt service payments on the old and net debt) of \$270,382. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

Authorized But Unissued Bonds

The Town has no authorized but unissued bonds at June 30, 2004. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. EMPLOYEE RETIREMENT PLAN

A. Pension Trust Fund

The Town of Winchester is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town to provide pension benefits for its municipal employees. The PERS is considered to be part of the Town of Winchester's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. The plan does not issue a stand-alone financial report.

The Town of Winchester Employees' Retirement Fund covers all eligible employees of the Town. The Town provides all retirement, death and disability benefits through a single employer, contributory defined benefit plan. Under the Plan, all full time employees paid from the General Fund of the Town who elect to make employee contributions after six months of employment are eligible to join. Police officers covered by MERF B, employees covered by the State of Connecticut Teachers Retirement Plan and alternate funding source employees are not eligible to participate in this Plan.

Employees are 100% vested after five years of continuous service if their contributions remain in the fund upon termination. Employees who retire at normal retirement (the later of age 65 or 5 years of service) receive a retirement benefit for life of 2% times years of credited service (maximum of 25) of the highest average three consecutive years of compensation out of the last ten prior to retirement. No cost of living adjustments are included. Member's contributions are returnable on termination or on death while active, or after retirement (less any benefits paid), provided in each case that no death benefits are otherwise paid.

Plan membership consisted of the following at January 1, 2003, the date of the latest actuarial valuation:

Retirees, disabled and beneficiaries currently receiving benefits	19
Terminated employees entitled to benefits but not yet receiving them	6
Current plan members	<u>67</u>
 Total	 <u>92</u>

Summary of Significant Accounting Policies

Basis of Accounting: The Town of Winchester Pension Plan's financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: All funds are invested and administered through Fleet Bank, sole Trustee, and are reported at fair value. Investment income is recognized as earned.

Contributions

Plan participants are required to contribute to the Plan 2.5% of their earnings up to the Social Security base and 5% of earnings over the Social Security base. The Town is required by its Charter to contribute the remaining amounts necessary to fund the Plan. For the year ended June 30, 2004 the Town's required contribution was \$230,078 which represents 8.6% of covered payroll.

Administrative costs of the Plan are financed through investment earnings.

Concentrations

Those investments in any organization that represent 5% or more of net assets available for benefits at June 30, 2004 are as follows:

Fleet Bank:

Fidelity Institutional Fund #59	\$	417,725
Columbia Disciplined Value Fund Class Z		1,070,282
Columbia Interim Government Income Fund Class Z		598,927
Columbia Large Capital Growth Fund Class Z		1,047,442

Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the Town of Winchester Employees' Retirement Fund for the year ended June 30, 2004 were as follows:

Annual required contribution (ARC)	\$	230,078
Interest on net pension obligation		9,283
Adjustment to annual required contribution		<u>(9,544)</u>
Annual pension cost		229,817
Contributions made**		<u>212,470</u>
Increase in net pension obligation		17,347
Net pension obligation, beginning of year		-
Increase in net pension obligation due to required contribution not made		<u>116,035</u>
Net Pension Obligation, End of Year	\$	<u><u>133,382</u></u>

** Contribution will be made prior to June 30, 2005.

The annual required contribution for the current year was determined as part of the January 1, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) an 8% investment rate of return and (b) 4% projected salary increases. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include cost of living increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Plan is fully funded and, therefore, immediate recognition of gains and losses is applied. The remaining amortization period for benefit improvements as of January 1, 2003 is 30 years, open method, on a level dollar basis.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 204,443	\$ 204,443	100.0%	\$ -
6/30/03	217,710	101,675	46.7	116,035
6/30/04	229,817	212,470**	92.5	133,382

** Contribution will be made prior to June 30, 2005.

B. Teachers

Teachers participate in a contributory defined-benefit plan established under Chapter 167a of the Connecticut General Statutes and administered by the Connecticut State Teachers' Retirement Board. Full-time certified teachers are vested in the system after ten years of service in this state.

All certified teachers are eligible to participate in the plan and are required to contribute 7% of their annual earnings. The Board of Education does not contribute to the plan. Prior to July 1, 1989, teachers were vested in their contributions up to 5% of their earnings prior to five years of service. After five years of service teachers were fully vested in their own contributions. After ten years of service teachers are fully vested and entitled to a monthly pension benefit that is payable at the age of 60. The State of Connecticut contributes amounts based on the actuarial reserve basis described in C.G.S. Sections 10-183 b (7).

The State's contribution to the plan on behalf of the Town for the fiscal year ended June 30, 2004 was \$394,115 and is recognized in the governmental funds GAAP-basis income statement. For the year ended June 30, 2004, teachers of the Town contributed \$394,115 to the plan, and covered payroll for the year was \$5,630,214.

Effective July 1, 1989, 1% of the mandatory 7% contribution is placed into a fund from which retirees' health insurance premiums will be paid. This 1% contribution is no longer credited to the member's individual account and does not vest.

5. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except for worker's compensation, which is handled through an interlocal risk pool. Settled claims for these risks did not exceed commercial insurance coverage during the years ended June 30, 2002, 2003 and 2004. Town insurance can be described as follows:

Interlocal Risk Pool

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. CIRMA currently has 240 members in the Workers' Compensation Pool. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in coverage period 2003-04 will be evaluated at 18, 30 and 42 months after the effective date of coverage. The deposit contribution (premium) paid in 2003-04 by the Town was \$170,794. The contribution (premium) is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains up to \$750,000 per occurrence. Claims over \$750,000 are reinsured.

Payments to the Workers' Compensation Pool are made through the General Fund.

B. Contingent Liabilities

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by counsel to be likely to result in judgment or judgments that could materially affect the Town's financial position.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

The Town may be subject to rebate penalties to the federal government relating to various

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 204,443	\$ 204,443	100.0%	\$ -
6/30/03	217,710	101,675	46.7	116,035
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Effective July 1, 1989, 1% of the mandatory 7% contribution is placed into a fund from which retirees' health insurance premiums will be paid. This 1% contribution is no longer credited to the member's individual account and does not vest.

C. Municipal Employees' Retirement System

Plan Description

All Town employees not covered by the Town pension plan or the teacher retirement system participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing, multiple employer public employee retirement system (PERS) defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial report as a pension trust fund. MERS issues a financial report that may be obtained by writing to the State of Connecticut, Office of the State Comptroller, Municipal Employees' Retirement Fund, 55 Elm Street, Hartford, CT 06106.

Contributions Required and Contributions Made

Each participating municipality is required by State statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general city employees, and within those two groups, with versus without Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending on the unit's date of participation and other factors.

Contributions for employees of the Town of Winchester were as follows:

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/02	\$ 166,767	100%
6/30/03	128,679	100%
6/30/04	130,621	100%

5. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except for worker's compensation, which is handled through an interlocal risk pool. Settled claims for these risks did not exceed commercial insurance coverage during the years ended June 30, 2002, 2003 and 2004. Town insurance can be described as follows:

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The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, to be immaterial.

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REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

To account for the general operations of the Town, except those required to be accounted for in another fund.

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Property taxes, interest and lien fees	\$ 17,280,716	\$ 17,280,716	\$ 17,132,182	\$ (148,534)
Intergovernmental revenues:				
State of Connecticut - General Government	2,517,769	2,517,769	1,281,446	(1,236,323)
State of Connecticut - Board of Education	6,852,792	6,852,792	6,577,667	(275,125)
	<u>9,370,561</u>	<u>9,370,561</u>	<u>7,859,113</u>	<u>(1,511,448)</u>
Other local revenues:				
Licenses, fees and permits:				
Cemeteries	37,000	37,000	28,110	(8,890)
Town Clerk	135,000	135,000	259,566	124,566
Charges for services:				
In lieu of taxes - Housing Authority	25,000	25,000	27,536	2,536
Building Department	103,500	103,500	159,044	55,544
Planning and Zoning	21,500	21,500	22,665	1,165
Inland Wetlands Commission	1,500	1,500	4,873	3,373
Zoning Board of Appeals	2,500	2,500	1,522	(978)
Police Department	28,000	28,000	29,241	1,241
Fire Department	250	250	225	(25)
Payroll grant reimbursements	14,250	14,250		(14,250)
Sale of land and equipment	46,500	46,500	86,723	40,223
Senior citizens	6,450	6,450	7,339	889
Social services	7,000	7,000		(7,000)
Park and Recreation Department	21,300	21,300		(21,300)
Tree Harvest	35,000	35,000	50,662	15,662
Probate Court	550	550	1,253	703
Interest and dividends	110,000	110,000	55,861	(54,139)
Other	54,002	54,002	301,017	247,015
	<u>649,302</u>	<u>649,302</u>	<u>1,035,637</u>	<u>386,335</u>
Total revenues	<u>27,300,579</u>	<u>27,300,579</u>	<u>26,026,932</u>	<u>(1,273,647)</u>

(Continued on following page)

BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
Library	\$ 185,836	\$ 185,836	\$ 185,836	\$ -
Miscellaneous	267,948	288,148	295,546	(7,398)
Recycling	532,200	490,480	450,476	40,004
Public safety:				
Police Department	2,175,312	2,175,312	2,212,928	(37,616)
Fire Department	288,542	288,542	296,449	(7,907)
Fire Marshal	81,100	81,100	77,143	3,957
Civil Preparedness	8,285	8,285	7,842	443
Winchester Fire Department	43,789	43,789	39,632	4,157
Ambulance	87,340	87,340	130,863	(43,523)
	<u>2,684,368</u>	<u>2,684,368</u>	<u>2,764,857</u>	<u>(80,489)</u>
Public works:				
Public Works Department	1,677,933	1,677,933	1,484,395	193,538
Streetlighting	123,615	123,615	123,112	503
	<u>1,801,548</u>	<u>1,801,548</u>	<u>1,607,507</u>	<u>194,041</u>
Welfare:				
Social Services	44,225	44,225	43,239	986
Health:				
Department of Health	41,441	41,441	41,441	-
Youth and Family Services	82,462	82,462	82,462	-
Paramedic	70,000	70,000	53,056	16,944
	<u>193,903</u>	<u>193,903</u>	<u>176,959</u>	<u>16,944</u>
Culture and recreation:				
Park and Recreation Department	193,672	193,672	194,085	(413)
Education:				
Board of Education	16,935,397	16,935,397	16,646,403	288,994
Program and project expenses	149,673	149,673	138,800	10,873

(Continued on following page)

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Property taxes, interest and lien fees	\$ 17,280,716	\$ 17,280,716	\$ 17,132,182	\$ (148,534)
Intergovernmental revenues:				
State of Connecticut - General Government	2,517,769	2,517,769	1,281,446	(1,236,323)
State of Connecticut - Board of Education	6,852,792	6,852,792	6,577,667	(275,125)
	<u>9,370,561</u>	<u>9,370,561</u>	<u>7,859,113</u>	<u>(1,511,448)</u>
Other local revenues:				
Licenses, fees and permits:				
Cemeteries	37,000	37,000	28,110	(8,890)
Town Clerk	135,000	135,000	259,566	124,566
Charges for services:				
In lieu of taxes - Housing Authority	25,000	25,000	27,536	2,536
Building Department	103,500	103,500	159,044	55,544
Planning and Zoning	21,500	21,500	22,665	1,165
Inland Wetlands Commission	1,500	1,500	4,873	3,373
Zoning Board of Appeals	2,500	2,500	1,522	(978)
Police Department	28,000	28,000	29,241	1,241
Fire Department	250	250	225	(25)
Payroll grant reimbursements	14,250	14,250		(14,250)
Sale of land and equipment	46,500	46,500	86,723	40,223
Senior citizens	6,450	6,450	7,339	889
Social services	7,000	7,000		(7,000)
Park and Recreation Department	21,300	21,300		(21,300)
Tree Harvest	35,000	35,000	50,662	15,662
Probate Court	550	550	1,253	703
Interest and dividends	110,000	110,000	55,861	(54,139)
Other	54,002	54,002	301,017	247,015
	<u>649,302</u>	<u>649,302</u>	<u>1,035,637</u>	<u>386,335</u>
Total revenues	<u>27,300,579</u>	<u>27,300,579</u>	<u>26,026,932</u>	<u>(1,273,647)</u>

(Continued on following page)

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Expenditures:				
General government:				
Board of Selectmen	\$ 27,444	\$ 27,444	\$ 25,661	\$ 1,783
Town Clerk	146,457	155,457	156,443	(986)
Treasurer	5,855	5,855	5,789	66
Accounting Department	139,371	139,371	139,195	176
Election expenditures	44,867	44,867	41,363	3,504
Insurance	230,220	230,220	285,766	(55,546)
Town Counsel	79,064	79,064	81,005	(1,941)
Town Manager	209,715	215,215	211,723	3,492
Building Department	145,256	147,476	145,034	2,442
Assessor	123,856	123,856	122,834	1,022
Board of Tax Review	3,327	3,327		3,327
Tax Collector	64,423	64,423	65,474	(1,051)
Planning and Zoning	3,165	3,165	1,290	1,875
Building	129,223	129,223	128,130	1,093
Inland Wetland Commission	3,596	3,596	2,083	1,513
Zoning Board of Appeals	1,422	1,422	1,091	331
Laurel City Commission	3,837	3,837	3,837	-
Advisory Comm for the Disabled	1,036	1,036		1,036
Litchfield Conservation District	1,582	1,582	1,582	-
Purchasing/Data Processing	135,155	135,155	132,375	2,780
Probate Court	3,877	3,877	3,500	377
Senior Citizens	123,208	123,208	123,453	(245)
Rural Transit District	1,770	1,770	1,770	-
Vacation and sick pay accrual	14,463	14,463	124,495	(110,032)
Municipal Historian	483	483		483
Tree Advisory Board	964	964	400	564
Economic Development Commission	12,117	12,117	2,828	9,289
School Crossing Guards	47,896	47,896	47,896	-
Judgments and Losses	2,893	2,893		2,893
Conservation Commission	24,394	24,394	41,555	(17,161)
Unemployment Compensation	32,346	32,346	39,113	(6,767)
Cemeteries	66,243	66,243	64,755	1,488
Soldiers Monument Commission	4,869	4,869	2,688	2,181
Planning and Community Development	163,041	163,041	160,486	2,555
Redevelopment Agency	585	585	426	159
Civil Service Commission	10,293	15,293	7,539	7,754
	<u>2,008,313</u>	<u>2,030,033</u>	<u>2,171,579</u>	<u>(141,546)</u>

(Continued on following page)

BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Expenditures:				
Library	\$ 185,836	\$ 185,836	\$ 185,836	\$ -
Miscellaneous	267,948	288,148	295,546	(7,398)
Recycling	532,200	490,480	450,476	40,004
Public safety:				
Police Department	2,175,312	2,175,312	2,212,928	(37,616)
Fire Department	288,542	288,542	296,449	(7,907)
Fire Marshal	81,100	81,100	77,143	3,957
Civil Preparedness	8,285	8,285	7,842	443
Winchester Fire Department	43,789	43,789	39,632	4,157
Ambulance	87,340	87,340	130,863	(43,523)
	<u>2,684,368</u>	<u>2,684,368</u>	<u>2,764,857</u>	<u>(80,489)</u>
Public works:				
Public Works Department	1,677,933	1,677,933	1,484,395	193,538
Streetlighting	123,615	123,615	123,112	503
	<u>1,801,548</u>	<u>1,801,548</u>	<u>1,607,507</u>	<u>194,041</u>
Welfare:				
Social Services	44,225	44,225	43,239	986
Health:				
Department of Health	41,441	41,441	41,441	-
Youth and Family Services	82,462	82,462	82,462	-
Paramedic	70,000	70,000	53,056	16,944
	<u>193,903</u>	<u>193,903</u>	<u>176,959</u>	<u>16,944</u>
Culture and recreation:				
Park and Recreation Department	193,672	193,672	194,085	(413)
Education:				
Board of Education	16,935,397	16,935,397	16,646,403	288,994
Program and project expenses	149,673	149,673	138,800	10,873

(Continued on following page)

GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Debt service:				
Principal retirement	\$ 375,000	\$ 375,000	\$ 375,000	\$ -
Interest	140,530	140,530	140,530	-
	<u>515,530</u>	<u>515,530</u>	<u>515,530</u>	<u>-</u>
Capital outlay:				
Capital outlay	1,693,524	1,693,524	725,270	968,254
Total expenditures	<u>27,206,137</u>	<u>27,206,337</u>	<u>25,916,087</u>	<u>1,290,250</u>
Excess of Revenues over Expenditures	94,442	94,242	110,845	16,603
Other Financing Sources (Uses):				
Operating transfers in	6,000	6,000	2,089	(3,911)
Operating transfers out	<u>(100,442)</u>	<u>(100,442)</u>	<u>(95,573)</u>	<u>4,869</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (200)</u>	17,361	<u>\$ 17,561</u>
Fund Balance at Beginning of Year			<u>606,214</u>	
Fund Balance at End of Year			<u>\$ 623,575</u>	

Special Revenue Funds

Industrial Park #2 Fund - To account for revenues and expenditures for the marketing and sales of lots in the Town's second industrial park.

Cafeteria Fund - To account for the Child Nutrition Program. Revenues consist of sales of food and grant subsidies for nutrition.

Federal and State Education Grants Fund - To account for revenues and expenditures of various education grants.

Fire Truck Fund - To accumulate funds for the purchase of a new fire truck for the Town.

Town Aid Roads Fund - To account for state grant revenues and expenditures for Town improved and unimproved roads.

Winchester Emergency Shelter Fund - To account for the state grant received for the Winchester Emergency Shelter.

Dog Fund - To account for the activities of the Town's Dog Warden, of which a portion of the fees must be paid to the State of Connecticut.

Brownfields Pilot Program - To account for a grant from the U.S. Environmental Protection Agency and related expenditures to study and redevelop several potentially contaminated manufacturing sites.

Infrastructure Assets - To account for revenues and expenditures relating to water improvements, drain improvements and lighting.

Other - To account for proceeds and expenditures of diminutive miscellaneous non-intergovernmental grants and activities.

Permanent Funds

Winchester School Trust Fund - To account for funds established to provide scholarships on an annual basis to local youth who excel in the school system.

Winchester Sinking Fund - To account for funds established for the retirement of debt. The fund balance must exceed \$75,000 before any funds can be utilized.

Forest View Cemetery Fund - This fund was established to accumulate donations and other resources, the income on which is used for the operation and maintenance of the Town's Forest View Cemetery and to purchase cemetery land.

Winchester Center Cemetery Fund - This fund was established to accumulate donations and other resources, the income on which is used for the operation and maintenance of the Winchester Center Cemetery and to purchase cemetery land.

Other - To account for funds contributed to the Town, the income on which is used for decorating various grave sites and repairs and maintenance of the local parks.

TOWN OF WINCHESTER, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

	Special Revenue Funds						
	Industrial Park #2 Fund	Cafeteria Fund	Federal and State Education Grants Fund	Fire Truck Fund	Winchester Emergency Shelter Fund	Dog Fund	Brownfields Pilot Program
NETS							
and cash equivalents from other governments from other funds	\$ 330,839	\$ 13,452	\$	\$ 3,536	\$ 18,775	\$ 2,099	\$ 5,343
net assets		31,436	38,007			4,676	
Liabilities		8,099					
Liabilities and Fund Balances	\$ 330,839	\$ 52,987	\$ 38,007	\$ 3,536	\$ 18,775	\$ 6,775	\$ 5,343
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expenses	\$	\$ 3,692	\$	\$	\$ 4,900	\$ 1,490	\$ 5,343
Deferred revenue			465				
Due to other governments	153,130		37,542			4,402	
Due to other funds	3,200					32,361	7,757
Total liabilities	156,330	3,692	38,007	-	4,900	38,253	13,100
Liabilities:							
Reserved for purpose of trust reserved and undesignated	174,509	49,295		3,536	13,875	(31,478)	(7,757)
Total fund balances	174,509	49,295	-	3,536	13,875	(31,478)	(7,757)
Liabilities and Fund Balances	\$ 330,839	\$ 52,987	\$ 38,007	\$ 3,536	\$ 18,775	\$ 6,775	\$ 5,343

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

	Special Revenue Funds		Permanent Funds				
	Infrastructure Assets	Other	Winchester School Trust Fund	Winchester Sinking Fund	Forest View Cemetery Fund	Winchester Center Cemetery Fund	Other
Cash and cash equivalents	\$ 661	\$ 312,402	\$ 63,843	\$ 82,357	\$ 138,040	\$ 38,311	\$ 154,885
Due from other governments							
Due from other funds							
Other assets		2,026					
Total Assets	\$ 661	\$ 314,428	\$ 63,843	\$ 82,357	\$ 138,040	\$ 38,311	\$ 154,885
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expenses		\$ 13,557					
Deferred revenue							
Due to other governments		41,830					3,141
Due to other funds		55,387					3,141
Total liabilities							
Fund Balances:							
Reserved for purpose of trust			63,843	82,357	138,040	38,311	96,320
Reserved and undesignated	661	259,041					55,424
Total fund balances	661	259,041	63,843	82,357	138,040	38,311	151,744
Total Liabilities and Fund Balances	\$ 661	\$ 314,428	\$ 63,843	\$ 82,357	\$ 138,040	\$ 38,311	\$ 154,885

TOWN OF WINCHESTER, CONNECTICUT

COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds						
	Industrial Park #2 Fund	Cafeteria Fund	Federal and State Education Grants Fund	Fire Truck Fund	Town Aid Roads Fund	Winchester Emergency Shelter Fund	Brow P Pro
Governmental revenues	\$	\$ 190,011	\$ 1,045,820	\$	\$	\$ 61,381	\$
fees and permits				14			8,627
and dividends							
revenue		241,110					1,641
revenues	-	431,121	1,045,820	14	-	61,381	10,268
Expenditures:							
for government		435,976	1,045,820		60,573	58,106	52,597
operation							
outlay		435,976	1,045,820	-	60,573	58,106	52,597
total expenditures	-	(4,855)	-	14	(60,573)	3,275	(42,329)
Deficiency of Revenues							
and expenditures							
Financing Sources (Uses):							
Transfers in							
Transfers out		(4,855)					35,000
Change in Fund Balances	-	(4,855)	-	14	-	3,275	(7,329)
Balances at Beginning of Year	174,509	54,150	-	3,522	-	10,600	(24,149)
Balances at End of Year	\$ 174,509	\$ 49,295	\$ -	\$ 3,536	\$ -	\$ 13,875	\$ (31,478)

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				Permanent Funds				Tot
	Infrastructure Assets	Other	Winchester School Trust Fund	Winchester Sinking Fund	Forest View Cemetery Fund	Winchester Center Cemetery Fund	Other		
Governmental revenues	\$ 162,154	\$ 369,671	\$	\$	\$	\$	\$	\$ 1,895	
Fees and permits		1,564	3,419	933	1,399	369	1,624	8,939	
Dividends		12,650						255	
Other revenues	162,154	383,885	3,419	933	1,399	369	1,624	2,168	
Expenditures:									
Governmental government			2,100					245	
Capital outlay	188,190	300,485						1,483	
Capital expenditures	188,190	300,485	2,100	-	-	-	-	488	
Deficiency) of Revenues	(26,036)	83,400	1,319	933	1,399	369	1,624	(49,	
Financing Sources (Uses):									
Issuance of bonds								95,	
Other financing					(1,394)	(354)	(285)	(2,	
Change in Fund Balances	(26,036)	83,400	1,319	933	5	15	1,339	44,	
Balances at Beginning of Year	26,697	175,641	62,524	81,424	138,035	38,296	150,405	891,	
Balances at End of Year	\$ 661	\$ 259,041	\$ 63,843	\$ 82,357	\$ 138,040	\$ 38,311	\$ 151,744	\$ 935,	

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FIDUCIARY FUNDS

Agency Funds:

Town Deposit Fund - To account for funds used for public schools.

Student Activities Fund - To account for the Batcheller, Hinsdale and Pearson school activity funds.

Other - To account for performance bonds held by the Town.

JUNE 30, 2004

	Agency Funds			
	Town Deposit	Student Activities	Other	Total Agency Funds
Assets:				
Cash and cash equivalents	\$ <u>4,535</u>	\$ <u>19,697</u>	\$ <u>25,024</u>	\$ <u>49,256</u>
Liabilities:				
Fiduciary deposits	\$ <u>4,535</u>	\$ <u>19,697</u>	\$ <u>25,024</u>	\$ <u>49,256</u>

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

JUNE 30, 2004

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
Town Deposit:				
Assets:				
Cash and cash equivalents	\$ <u>4,535</u>	\$ <u>52</u>	\$ <u>52</u>	\$ <u>4,535</u>
Liabilities:				
Fiduciary deposits	\$ <u>4,535</u>	\$ <u>52</u>	\$ <u>52</u>	\$ <u>4,535</u>
Student Activities:				
Assets:				
Cash and cash equivalents	\$ <u>11,182</u>	\$ <u>83,716</u>	\$ <u>75,201</u>	\$ <u>19,697</u>
Liabilities:				
Fiduciary deposits	\$ <u>11,182</u>	\$ <u>83,716</u>	\$ <u>75,201</u>	\$ <u>19,697</u>
Other:				
Assets:				
Cash and cash equivalents	\$ <u>35,933</u>	\$ <u>236</u>	\$ <u>11,145</u>	\$ <u>25,024</u>
Liabilities:				
Fiduciary deposits	\$ <u>35,933</u>	\$ <u>236</u>	\$ <u>11,145</u>	\$ <u>25,024</u>
Total - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ <u>51,650</u>	\$ <u>84,004</u>	\$ <u>86,398</u>	\$ <u>49,256</u>
Liabilities:				
Fiduciary deposits	\$ <u>51,650</u>	\$ <u>84,004</u>	\$ <u>86,398</u>	\$ <u>49,256</u>

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

To account for all fixed assets except those used in
Proprietary Fund operations.

SCHEDULE BY SOURCE

JUNE 30, 2004

Governmental Funds Capital Assets:

Land and improvements	\$	25,536,000
Buildings and improvements		4,733,049
Vehicles and equipment:		
Schools		1,144,517
Town		<u>3,862,804</u>
Total	\$	<u><u>35,276,370</u></u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$	32,899,475
Special Revenue Fund		916,336
Capital Projects Funds		<u>1,460,559</u>
Total	\$	<u><u>35,276,370</u></u>

SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2004

	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
General government	\$ 25,536,000	\$ 673,901	\$ 3,035,828	\$ 29,245,729
Public safety		969,923	573,642	1,543,565
Public works		457,440	59,714	517,154
Parks and recreation		469,385	5,000	474,385
Education		<u>2,162,400</u>	<u>1,333,137</u>	<u>3,495,537</u>
Total	\$ <u>25,536,000</u>	\$ <u>4,733,049</u>	\$ <u>5,007,321</u>	\$ <u>35,276,370</u>

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2004

	<u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>June 30, 2004</u>
General government	\$ 28,943,488	\$ 302,241	\$	\$ 29,245,729
Public safety	1,333,656	209,909		1,543,565
Public works	379,290	137,864		517,154
Parks and recreation	270,400	203,985		474,385
Education	<u>3,495,537</u>	<u> </u>	<u> </u>	<u>3,495,537</u>
Total	<u>\$ 34,422,371</u>	<u>\$ 853,999</u>	<u>\$ -</u>	<u>\$ 35,276,370</u>

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SUPPLEMENTAL SCHEDULES

TOWN OF WINCHESTER, CONNECTICUT

GENERAL FUND

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

FOR THE YEAR ENDED JUNE 30, 2004

Grand List of October 1,	Due Date of Tax	New Levy and Uncollected Balance July 1, 2003	Lawful Corrections		Transfers to Suspend	Adjusted Tax Levies	Collections Interest and Liens		Tax Receiv June 30
			Additions	Deductions			Taxes	Total	
2002	7/1 and 1/1	\$ 17,020,974		(4,638)	(1,184)	17,015,152	16,371,003	52,672	16,423,675
2001	7/1 and 1/1	627,220	(5,705)		(63,853)	557,662	355,007	55,204	410,211
2000	7/1 and 1/1	294,817	(54,524)		(15,176)	225,117	117,779	138,079	255,859
1999*	7/1 and 1/1	49,725				49,725	7,294	1,013	8,307
tal Grand List		\$ 17,992,736	\$ -	\$ (64,867)	\$ (80,213)	\$ 17,847,656	\$ 16,851,083	\$ 246,969	\$ 17,098,052

* includes collection of this list and all prior

SUPPLEMENTAL SCHEDULES

TOWN OF WINCHESTER, CONNECTICUT

GENERAL FUND

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

FOR THE YEAR ENDED JUNE 30, 2004

Grand List of October 1,	Due Date of Tax	New Levy and Uncollected Balance July 1, 2003	Lawful Corrections		Transfers to Suspense	Adjusted Tax Levies	Taxes	Collections Interest and Liens		Tax Receiv June 30
			Additions	Deductions				Total	Total	
2002	7/1 and 1/1	\$ 17,020,974		(4,638)	(1,184)	17,015,152	16,371,003	52,672	16,423,675	
2001	7/1 and 1/1	627,220		(5,705)	(63,853)	557,662	355,007	55,204	410,211	
2000	7/1 and 1/1	294,817		(54,524)	(15,176)	225,117	117,779	138,079	255,859	
1999*	7/1 and 1/1	49,725				49,725	7,294	1,013	8,307	
total Grand List		\$ 17,992,736	\$ -	(64,867)	(80,213)	17,847,656	16,851,083	246,969	17,098,052	\$

Includes collection of this list and all prior

FOR THE YEAR ENDED JUNE 30, 2004

Water Rents:

<u>Levy as of July 1,</u>	<u>New Levy and Uncollected Balance, July 1, 2003</u>	<u>Collections</u>			<u>Water Rents Receivable, June 30, 2004</u>
		<u>Rents</u>	<u>Interest and Liens</u>	<u>Total</u>	
2003	\$ 1,535,713	\$ 1,372,664	\$ 7,248	\$ 1,379,912	\$ 163,049
2002	170,907	97,357	9,296	106,653	73,550
2001*	112,632	57,039	44,993	102,032	55,593
	<u>\$ 1,819,252</u>	<u>\$ 1,527,060</u>	<u>\$ 61,537</u>	<u>\$ 1,588,597</u>	<u>\$ 292,192</u>

Sewer Rents:

<u>Levy as of July 1,</u>	<u>New Levy and Uncollected Balance, July 1, 2003</u>	<u>Collections</u>			<u>Sewer Rents Receivable, June 30, 2004</u>
		<u>Rents</u>	<u>Interest and Liens</u>	<u>Total</u>	
2003	\$ 1,059,003	\$ 949,563	\$ 4,277	\$ 953,840	\$ 109,440
2002	119,078	76,252	6,031	82,283	42,826
2001*	51,479	41,574	3,475	45,049	9,905
	<u>\$ 1,229,560</u>	<u>\$ 1,067,389</u>	<u>\$ 13,783</u>	<u>\$ 1,081,172</u>	<u>\$ 162,171</u>

* Includes levies of 2000 and prior

Source: Town of Winchester, Connecticut, Collector of Revenue.

JUNE 30, 2004

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Steven V. Angelo	Town Manager	\$ 95,000
Henry L. Centrella, Jr.	Director of Finance	595,000
Spencer C. Monroe	Treasurer	600,000
Arlene M. Boutin	Tax Collector	147,000
Janet L. Clossom	Assistant to the Tax Collector	85,000
Arthur Borla	Ambulance Treasurer	55,000
Mark A. Douglass	Purchasing Agent	25,000
Sandra Andrews	Assistant to the Finance Director	25,000
Colleen Garrity	Assistant to the Finance Director	25,000
Sheila Sedlack	Town Clerk	5,000
Cheryl L. Carriere	Assistant Town Clerk	5,000
Public Employees Blanket Bond	Public Employees Blanket Bond	5,000
Public Works Department	Public Works Department	5,000

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STATISTICAL SECTION

TOWN OF WINCHESTER, CONNECTICUT
GENERAL FUND EXPENDITURES BY FUNCTION
NON-GAAP BUDGETARY BASIS

LAST TEN FISCAL YEARS

(In Thousands)

<u>Fiscal Year</u>	<u>Board of Education</u>	<u>Public Works</u>	<u>Public Safety</u>	<u>Miscellaneous</u>	<u>General Government</u>	<u>Welfare</u>	<u>Health</u>	<u>Parks and Recreation</u>	<u>Library</u>	<u>Waste Disposal and Recycling</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
1995	\$ 11,859	\$ 1,434	\$ 1,984	\$ 1,071	\$ 1,793	\$ 180	\$ 149	\$ 142	\$ 133	\$	\$ 873	\$ 713	\$ 20,331
1996	12,112	1,428	2,050	769	1,494	174	124	137	125		782	384	19,579
1997	12,502	1,456	2,121	704	1,389	145	125	125	125		844	483	20,019
1998	13,210	1,510	2,334	933	1,523	122	115	140	128		793	610	21,418
1999	13,543	1,732	2,505	757	1,193	51	129	179	175	493	749	597	22,103
2000	14,727	1,680	2,605	931	1,309	44	125	166	199	514	709	995	24,005
2001	14,811	1,776	2,499	861	1,340	50	210	174	175	533	672	850	23,950
2002	16,101	1,733	2,594	976	1,443	45	182	175	197	571	568	871	25,456
2003	16,503	1,629	2,590	541	2,035	51	225	191	194	542	563	1,628	26,692
2004	16,646	1,608	2,765	434	2,172	43	177	194	186	450	516	725	25,916

Source: Town of Winchester, Connecticut, Department of Finance.

TOWN OF WINCHESTER, CONNECTICUT

**GENERAL FUND REVENUES BY SOURCE
NON-GAAP BUDGETARY BASIS**

LAST TEN FISCAL YEARS

(In Thousands)

<u>Fiscal Year</u>	<u>General Property Taxes, Interest and Lien Fees</u>	<u>Intergovernmental Revenues</u>	<u>Other Revenues</u>	<u>Total</u>
1995	\$ 11,374	\$ 8,618	\$ 312	\$ 20,304
1996	10,717	8,923	364	20,004
1997	11,713	8,369	453	20,535
1998	13,159	8,567	565	22,291
1999	13,300	8,654	650	22,604
2000	14,732	8,831	774	24,337
2001	14,730	8,548	635	23,913
2002	16,106	8,927	1,440	26,473
2003	16,114	8,861	579	25,554
2004	17,132	7,859	1,036	26,027

Source: Town of Winchester, Connecticut, Department of Finance.

TOWN OF WINCHESTER, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

(In Thousands)

<u>Fiscal Year</u>	<u>Grand List</u>	<u>Mill Rate (1)</u>	<u>Total Tax Levy</u>	<u>Current Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Taxes</u>	<u>Percent of Outstanding Taxes to Tax Levy</u>
1995	1993	39.50	\$ 11,265	\$ 10,704	95.02 %	\$ 442	\$ 11,146	98.94 %	\$ 1,304	11.58 %
1996	1994	25.97	10,753	10,220	95.04	320	10,540	98.02	1,451	13.49
1997	1995	27.56	11,631	10,964	94.27	532	11,496	98.84	1,455	12.51
1998	1996	29.87	12,765	12,201	95.58	617	12,818	100.42	1,316	10.31
1999	1997	30.16	12,978	12,410	95.62	464	12,874	99.20	1,254	9.66
2000	1998	33.62	14,523	13,910	95.78	673	14,583	100.41	993	6.84
2001	1999	33.17	14,580	14,001	96.03	459	14,460	99.18	954	6.54
2002	2000	35.84	15,965	15,373	96.29	524	15,897	99.57	921	5.77
2003	2001	35.58	15,977	15,350	96.08	456	15,806	98.93	972	6.08
2004	2002	30.12	17,016	16,371	96.21	480	16,851	99.03	997	5.86

(1) Per \$1,000 assessed value.

Sources: Town of Winchester, Connecticut, Department of the Tax Collector and Department of Finance.

TOWN OF WINCHESTER, CONNECTICUT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(In Thousands)

Fiscal Year	Grand List	Real Property		Personal Property		Motor Vehicles		Totals		Ratio of Total Assessed to Total Estimated Actual Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1995	1993	\$ 230,129	\$ 328,756	\$ 33,348	\$ 47,597	\$ 34,332	\$ 49,047	\$ 297,809	\$ 425,400	70
1996	1994	353,722	505,317	32,885	46,979	37,975	54,250	424,582	606,546	70
1997	1995	356,755	509,650	33,563	47,947	42,469	60,670	432,787	618,267	70
1998	1996	357,822	511,174	33,855	48,364	44,180	63,114	435,857	622,652	70
1999	1997	359,016	512,880	35,050	50,071	43,909	62,727	437,975	625,678	70
2000	1998	360,182	514,546	34,822	49,746	45,583	65,119	440,587	629,411	70
2001	1999	361,325	516,179	38,788	55,411	50,232	71,760	450,345	643,350	70
2002	2000	363,444	519,206	39,138	55,911	52,570	75,100	455,152	650,217	70
2003	2001	364,258	520,369	40,394	57,706	54,129	77,327	458,781	655,401	70
2004	2002	478,924	684,177	37,925	54,179	56,368	80,526	573,217	818,882	70

There is no overlapping taxable property.

Source: Town of Winchester, Connecticut, Department of Assessment.

ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Net General Bonded Debt (3)(4)(5)</u>	<u>Ratio of Net General Bonded Debt to Assessed Value</u>	<u>Net General Bonded Debt per Capita</u>
1995	11,342	\$ 297,809,000	\$ 5,640,000	1.89	497
1996	11,342	424,582,000	5,185,000	1.22	457
1997	11,300	432,787,000	4,730,000	1.09	419
1998	11,422	435,857,000	4,280,000	0.98	375
1999	11,422	437,975,000	3,830,000	0.87	335
2000	11,524	440,587,000	3,380,000	0.77	293
2001	11,590	450,345,000	2,930,000	0.65	253
2002	10,664	455,152,000	2,555,000	0.56	240
2003	10,664	458,781,000	2,180,000	0.48	204
2004	10,664	573,217,000	1,805,000	0.31	169

(1) Statistics provided are estimates of the State of Connecticut Department of Health Services.

(2) Source: Town of Winchester, Connecticut, Department of Assessment.

(3) Excludes Bond Anticipation Notes.

(4) There is no overlapping debt.

(5) Source: Town of Winchester, Connecticut, Department of Finance.

FOR THE YEAR ENDED JUNE 30, 2004

Total Tax Collections, Including Interest and Lien Fees, for Current Fiscal Year	\$ 17,098,052
Reimbursement for Revenue Loss on:	
Tax relief for elderly and disabled	78,095
Private property tax exemptions	203,107
Manufacturers PILOT grant	204,925
Motor boats	<u>14,829</u>
Base	<u><u>\$ 17,599,008</u></u>

	General Long-Term Debt			
	General Purposes (2.25 x base)	Schools (4.50 x base)	Urban Renewal (3.25 x base)	Enterprise (3.75 x base)
Debt Limitation:				
Statutory debt limits by function	\$ 39,597,768	\$ 79,195,536	\$ 57,196,776	\$ 65,996,280
Debt:				
Bonds payable	<u>1,805,000</u>	<u> </u>	<u> </u>	<u>11,085,000</u>
Debt Limitation in Excess of Debt*	<u><u>\$ 37,792,768</u></u>	<u><u>\$ 79,195,536</u></u>	<u><u>\$ 57,196,776</u></u>	<u><u>\$ 54,911,280</u></u>

*In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be approximately \$123,193,056.

TOWN OF WINCHESTER, CONNECTICUT

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL EXPENDITURES**

LAST TEN FISCAL YEARS

(In Thousands)

<u>Fiscal Year</u>	<u>Principal (1)</u>	<u>Interest (1)</u>	<u>Total Debt Service (1)</u>	<u>Total General Expenditures (2)</u>	<u>Ratio of Debt to Total General Expenditures</u>
1995	\$ 455	\$ 418	\$ 873	\$ 20,331	4.29 %
1996	455	385	840	19,579	4.29
1997	455	352	807	20,385	3.96
1998	455	320	775	21,418	3.62
1999	450	299	749	22,103	3.39
2000	450	255	705	20,103	3.51
2001	450	222	672	23,950	2.81
2002	375	193	568	25,456	2.23
2003	375	167	542	26,692	2.03
2004	375	141	516	25,916	1.99

(1) Includes only general bonded debt.

(2) Includes expenditures of the General Fund (non-GAAP budgetary basis).

Source: Town of Winchester, Connecticut, Department of Finance.

TOWN OF WINCHESTER, CONNECTICUT

DEMOGRAPHIC STATISTICS (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>School Enrollment (3)</u>	<u>Per Capita Income (4)</u>	<u>Unemployment Rate (5)</u>
1995	11,342	1,226	\$	7.0 %
1996	11,342	1,229		6.6
1997	11,300	1,254		6.8
1998	11,422	1,220		4.4
1999	11,422	1,182		3.8
2000	11,524	1,079	22,589	2.5
2001	11,590	1,165		4.2
2002	10,664	1,165		6.0
2003	10,664	1,106		6.0
2004	10,664	1,120		5.6

- (1) Information regarding median age and education level of the population is not available.
- (2) Statistics provided are estimates of the State of Connecticut Department of Health Services.
- (3) Source: Town of Winchester, Connecticut, Board of Education.
- (4) Data not available.
- (5) Per State of Connecticut Department of Labor.

TOWN OF WINCHESTER, CONNECTICUT
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

(Dollars in Thousands)

Fiscal Year	Construction (1)				Property Value (2)			Bank Deposits (3)	
	Commercial		Residential		Commercial	Residential (1)	Nontaxable	Number of Banks	Deposits
	Number of Units	Value	Number of Units	Value					
1995	1	\$ 350	14	\$ 1,183	\$ 48,650	\$ 305,157	\$ 49,220	\$	
1996	6	4,685	6	606	48,560	305,150	49,020		
1997	1	151	5	903	50,044	308,609	49,290		
1998	2	980	5	1,005	49,302	306,880	49,155		
1999	3	41	19	2,516	49,130	306,450	49,170		
2000	3	1,156	14	1,529	49,516	306,650	49,160		
2001	1	1,158	12	1,578	50,274	308,125	50,150		
2002	7	1,905	24	3,499	51,050	309,650	51,150		
2003	6	2,001	22	3,674	53,603	325,132	53,707		
2004	1	45	63	6,312	53,648	331,344	53,707		

(1) Source: Town of Winchester, Connecticut, Department of Building and Housing.

(2) Source: Town of Winchester, Connecticut, Department of Assessment.

(3) Information is not available.

TOWN OF WINCHESTER, CONNECTICUT

PRINCIPAL TAXPAYERS

JUNE 30, 2004

	Assessed Valuation as of October 1, 2002	Percentage of Gross Taxable Grand List	Nature of Business
1. Howmet Turbine	\$ 9,854,273	2.05 %	Manufacturer
2. Connecticut Light & Power	5,361,740	1.21	Utility
3. Ledgebrook LLC Trustee	4,432,060	1.00	Shopping Center
4. Winsted Precision Ball Company	4,253,302	0.96	Manufacturer
5. Yankee Gas	3,303,280	0.75	Gas Transmission
6. Homer D Bronson Company	2,209,870	0.50	Manufacturer
7. Litchfield Gardens Association	2,197,530	0.50	Apartments
8. Electric Motion Company Inc	1,867,660	0.42	Manufacturer
9. BNB Manufacturing Company	1,771,880	0.40	Manufacturer
10. Arrow/SI Inc	1,523,550	0.34	Manufacturer
	<u>\$ 36,775,145</u>	<u>8.13 %</u>	

Source: Town of Winchester, Connecticut, Department of Assessment.

LAST TEN FISCAL YEARS

(In Thousands)

<u>Fiscal Year</u>	<u>Public Works</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Parks and Recreation</u>	<u>Miscellaneous</u>	<u>Total</u>
1995	\$ 505	\$ 145	\$ 63	\$	\$	\$ 713
1996	255	93	36			384
1997	383	36	59		5	483
1998	487	55	68			610
1999	276	177	144			597
2000	163	341	209		282 *	995
2001	351	56	399		44	850
2002	170	320	93		288	871
2003	455	855	217	69	32	1,628
2004	330	320	54	9	12	725

Source: Town of Winchester, Connecticut, Department of Finance.

* Includes Riverfront Recapture Project of \$256,163.

JUNE 30, 2004

Date of Incorporation: May 1771
 Form of Government: Selectmen/Town Manager
 First Charter Adopted: July 22, 1771
 Present Charter Adopted: November 5, 1985
 Area of Town: 34.0 square miles

Miles of streets 81.27
 Paved 72.51
 Unpaved 8.76
 State highways 23.5

Recreation

Community centers 1
 Neighborhood parks 2
 Public greens 2
 Acres of park land 30
 Playgrounds 3
 Tennis courts 2
 Asphalt 2
 Lighted 2
 Ball diamonds 7
 Lighted 2
 Basketball courts 2
 Lighted 1
 Beaches 2
 Ponds 1

Elections

Registered voters 6,869
 Votes cast in last:
 National election 4,690
 State election 3,368
 Municipal election 2,588
 Percentage of registered
 voters voting in last:
 National election 68 %
 State election 49 %
 Municipal election 38 %

Library

Main building 1
 Employees 10
 Full-time 0

Municipal Cemeteries

Active 3
 Inactive 3

Education

Senior high schools 1
 Students 21
 Private senior high schools 1
 Students 485
 Special education 36
 Instruction 49
 Administrative and other
 nonteaching personnel 26
 Middle schools 1
 Students 386
 Elementary schools 2
 Students 730
 Special education 28
 Instructional 104
 Administrative and other
 nonteaching personnel 73

Police Protection

Police cars 10
 Police officers 25
 Civilian employees 9

Fire Protection

Stations 4
 Volunteer firemen 111
 Full-time paid firemen 1

Town Employees (Full-Time)

Town 83
 School 178

